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CITY OF MISSOURI CITY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

Mission Statement

**To provide the Citizens of Missouri City with quality service
and efficient use of resources.**

OVERALL GOAL STATEMENT From the Comprehensive Plan (For the Entire Community/City)

A city that has grown to maturity and continues to be a desirable place:

to live, because of the existence of a wide range of housing types located in safe, well-kept neighborhoods which receive a full range of services and supporting infrastructure;

to work, because of the existence of office and light manufacturing, industry, and business offering a variety of job opportunities;

to play, because of the existence of a wide range of leisure time activities, both public and private; and

to shop, because of the existence of adequate and attractive retail areas.

A mature city assures citizens' Health, Safety, and Public Welfare by providing outstanding police protection against drugs, crime and violence; high caliber fire and disaster protection; and by supporting the development of a superior educational system. *Vision 2020*

City of Missouri City, Texas



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**For the Fiscal Year Ended
June 30, 2012**

Edward Broussard, City Manager

Prepared by:

Wes Vela, Director of Finance
Michael Higgins, Assistant Finance Director

City of Missouri City, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2012

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1522 Texas Parkway
Missouri City, Texas
77489

Phone: 281.403.8500
www.missouricitytx.gov

January 7, 2013

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Missouri City, Texas:

We are pleased to submit to you the Comprehensive Annual Financial Report of the City of Missouri City, Texas, for the fiscal year ended June 30, 2012. This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosure, rests with the City. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its government-wide financial statements and its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activity have been included.

Whitley Penn, Certified Public Accountants, has issued an unqualified ("clean") opinion on the City of Missouri City's financial statements for the year ended June 30, 2012. The independent auditor's report is located in the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

MISSION STATEMENT AND ORGANIZATIONAL GOALS

The City's mission statement is *"To provide the Citizens of Missouri City with quality service and efficient use of resources."*

The City's overall goal statement is shown below:

A city that has grown to maturity and continues to be a desirable place:

- **to live**, because of the existence of a wide range of housing types located in safe, well-kept neighborhoods which receive a full range of services and supporting infrastructure;
- **to work**, because of the existence of office and light manufacturing, industry, and business offering a variety of job opportunities;
- **to play**, because of the existence of a wide range of leisure time activities, both public and private; and
- **to shop**, because of the existence of adequate and attractive retail areas.

The City Council and the City Staff shall:

1. Perform with concern for the health, safety and well-being of our citizens and always consider how our actions affect citizens.
2. Reflect a positive image.
3. Establish good/sound financial planning.
4. Strive to develop Missouri City within parameters of the Comprehensive Plan.
5. Work toward the equitable distribution of City resources.

LOCAL ECONOMY

Missouri City is located approximately 20 miles southwest of downtown Houston, in northeast Fort Bend County. A small portion of the City extends into the southwestern section of Harris County, where its boundaries adjoin the City of Houston. Approximately 10 percent of the City's population resides in Harris County. A number of toll roads and highway expansions, including Highway 90A, Texas State Highway 6, and the Fort Bend Tollway, allow for more improved travel times throughout the region.

According to the Greater Fort Bend County Economic Development Council's Annual Report for Fiscal Year 2011, the Fort Bend County's population is estimated at 606,953 which is a 3.7 percent increase over 2010. The County's labor force is nearing 266,000. With an increase in local and regional business activity, the unemployment in Fort Bend County was 6.7 percent as compared to the state average of 7.0% and national average of 8.2%. Fort Bend County was ranked as one of the Top Ten counties in the U.S. for economic strength in 2010 and is consistently ranked in the top 3% of the nation's counties in 5 key demographic measures.

While many governmental entities around the nation, state and region are working to keep their bottom lines strong in a struggling economy, the City of Missouri City has seen similar trends. Property tax income dropped 3.1 percent. However, franchise fees were up more than 5.4 percent. The last couple of budget years and the next couple have presented challenges for Missouri City similar to most other cities. We have been finding alternative solutions to becoming less reliant on property taxes, and we will continue to craft strategic plans as a slow, steady recovery takes place.

The current population for FY2012 was 69,774, and in the 2010 census, the City's population was 67,358, an increase of just over 2,400. Missouri City's population has grown nearly 32% compared to the census in 2000.

“SHOW ME” SUCCESS

Missouri City has achieved significant successes in FY2012 by continuing strong collaborations with citizens, gaining new business partnerships, earning local, state and national distinction for excellence. Building on Missouri City's national recognition recently ranked #21 as one of America's best places to live according to Money magazine, as well as one of the country's safest communities ranked 5th safest in Texas, the “Show Me” City continues to garner awards. Missouri City has earned further honors for its excellent fiscal practices and policies. The prestigious Gold Leadership Circle Award from the Texas State Comptroller's Office salutes the City's transparency in financial, audit and budget reporting to residents.

A strong community connection is vital to the area's dynamic growth. In 2008, citizens played a major role in the decision to purchase the Quail Valley golf property, a major project which

included the rehabilitation of the 36-hole golf course, the construction of a new Community Center and Pro Shop, and most recently the construction of a new Recreation and Tennis Center. These facilities and venues offer many options for Missouri City and Fort Bend County residents and businesses to host large and small special occasions.

“SHOW ME” THE FUTURE

As the economy is expected to improve ever so slightly, the Missouri City community anticipates a better year. A stable economy in the upcoming year will allow the City to stay on track with the capital improvement projects and to build and maintain staffing levels. In collaboration with our citizens and staff, the City Council is committed to maintaining the community at the level of a Top 100 American City.

ECONOMIC DEVELOPMENT

In the past five years, Missouri City’s commercial tax base has grown from 15 percent to 23 percent as the City continues to expand its commercial square footage to not only diversify the property tax base but to provide jobs for the citizens. In the past three years, more than 900 jobs, 500 of them non-retail, have been added to the City’s workforce and commercial square footage has increased by 2.5 million. The Lakeview Business Park and the Beltway Crossing Complex are attractive locations for national and international respected companies.

State Highway 6 continues to be a popular destination for many shoppers with the recent addition of a new Super Walmart. Cartwright Road, another major thoroughfare in Missouri City, recently saw the completion of the Colony Lakes Office Park which houses many office space suites. This is within minutes of the newly renovated Missouri City Recreation and Tennis Facility and the Quail Valley Golf Course & City Centre.

The recent success in attracting local and regional retail and warehousing and distribution facilities as well as energy-related electronics and instrumentation industries have expanded commercial development in all corners of the City. Ample open land with adequate utilities exists in nearby key roadways, so a continued emphasis on warehouse and distribution facilities is warranted.

COMPREHENSIVE PLAN

The Comprehensive Plan and other documents recommended special focus on certain key initiatives or target areas. Several business parks have opened such as the Beltway Crossing and Lakeview Business Parks as well as new business parks near the Fort Bend Tollway/Highway 6 area. The Texas Parkway/Cartwright Revitalization plan has been focused on bringing in more commercial tenants and on appropriate high-density housing or mixed use projects that can provide the population base to support existing and future businesses. Lifestyle amenities include compiling and publicizing Missouri City’s exceptional income and educational attainment demographics, identifying high-end retailers and restaurants, promoting office construction and professional service providers, encouraging “office-condo” redevelopment, and promoting certain destination venues such as the Quail Valley community center and golf course.

Priority areas include the extension of the Fort Bend Tollroad and surrounding areas, and utilizing TIRZ financing for public improvements. Other long-term planning includes Town Center Development projects offering “class A” office space and daytime business growth.

During FY2012, Missouri City City Council voted to annex portions of Newpoint Estates that were not within the City limits. The decision extends the City’s southern boundary along Highway 6 and incorporates an additional 277.32 acres with a taxable value of about

\$27,000,000. Newpoint Estates is a unique neighborhood that features deluxe homes on large-acre lots. About 12 homes in the community were already in the City and approximately 64 lots and several reserves in Sections 1, 2 and 3 that were not within City limits will be included.

LONG-TERM FINANCIAL PLANNING AND RELEVANT FINANCIAL POLICIES

The City prepares its operating budget for a single year that integrates five-year projected expenditures based on the organizational strategies and goals. By integrating the five-year projections, the financial plan is better able to accommodate the City's future needs based on the vision, mission and goals of the City. The financial condition is also achieved by focusing on one of the City's financial policies to maintain a stable tax rate. This is achieved by developing programs to increase other revenue resources such as improved economic development efforts for sales and property tax generation.

The established long-range policies regarding financial management are to retain a sound financial condition, strive to retain the best possible bond rating on bonds, and provide future generations with the ability to borrow capital for construction of facilities and street and drainage improvements without severe financial burden. The City continues to utilize pay-as-you-go financing of capital improvements where feasible while planning for capital improvements on a five-year planning basis which is updated annually. Bond issues are scheduled so the principal and interest payments produce a declining balance each year so that new debt will not adversely affect the stable tax rates.

The \$8.3 million fund balance in the general fund is the equivalent of 96 days of expenditures and transfers. On an annual basis, the City studies a five-year plan for evaluating tax rates and utility rates as they relate to debt financing for financing needs and the operating costs of providing services to citizens.

Continuing the City's commitment to maintaining and protecting its strong fiscal position, the City has maintained the existing property tax of 52.84 cents per \$100 of valuation for Fiscal Year 2012. The adopted rate is less than the current "effective tax rate" of 55.66 cents per \$100 of valuation but is expected to yield about \$594,000 less in revenues than staff projected. The gap will be filled by budgeted contingency funds and other budget savings. Missouri City's 2012 operating budget of \$32.1 million represents a 2.9 percent increase or \$900,000 in spending from the 2011 plan; \$705,000 of this increase was for salary and benefits contingencies. The adopted property tax rate will allocate 36.0 cents for maintenance and operations (M&O) and 18.5 cents for capital projects (Interest & Sinking).

The City exempts \$15,000 of the assessed value of resident homesteads within the city of persons 65 years of age or older and \$10,000 of the assessed value of residence homesteads of persons, married or unmarried, including those living alone, who are under a disability for purposes of payment of disability insurance benefits under federal old-age, survivors and disability insurance or its successor, from all ad valorem taxes levied by the city.

FACING CHALLENGES WITH PROACTIVE POLICIES

The Missouri City Council approved the fiscal year 2012 operating budget of \$32.1 million, a 3 percent increase from the previous year, with no tax increase for residents. Given the recent economic conditions and their effect on the City's budget, it is of great importance to the City to continue the organizational strategies that have been in place for the last several years. The four main parts are:

- (1) Retain existing property values
- (2) Increase commercial development
- (3) Create value added services
- (4) Develop an organization for optimum performance

The last four fiscal year budgets have created challenges for the City, but Missouri City is fortunate to have thus far avoided many budget impacts that other governmental entities are experiencing such as layoffs, furloughs or salary reductions, or actual elimination of certain services or programs.

In the upcoming fiscal year of 2013, the City is expecting to maintain an adequate fund balance of 21%, which is well within the policy of 15%-25% of annual expenditures. The majority of the spending will be in public safety (51.6%) for police and fire services.

The City saw a 5.7% increase in sales tax receipts during FY2012 of about \$339,000 even with a sluggish economy. Actual sales tax receipts were \$6.3 million for FY2012 compared to \$5.9 million in FY2011. Normally, sales taxes increase about 3%-5% annually.

CAPITAL IMPROVEMENTS PROGRAM

The City Council appointed a Citizens Advisory Committee in 2003 for bond elections to study and identify the long-term needs of the City. Subcommittees were formed to review public safety, drainage, transportation, facilities and parks and recreation needs. Supported by city staff, these volunteers identified costs and made recommendations with priorities to the City Council.

The 2003 Bond Election of \$75 million was approved with a 3:1 voter approval is scheduled to be sold in the following increments:

2003 Bond Election (3:1 voter approval)

FISCAL YEAR	PUBLIC SAFETY	DRAINAGE	TRANSPORTATION	PARKS & RECREATION	FACILITIES	MUNICIPAL COURT	TOTALS
2004-2011	\$6,466,000	\$4,543,000	\$15,614,000	\$15,550,000	\$2,072,000	\$1,030,000	\$45,275,000
2012	0	0	0	0	0	0	0
2013	0	1,400,000	0	0	0	0	1,400,000
2014	710,000	6,365,000	6,771,000	0	38,000	0	13,884,000
2015	371,000	3,805,000	3,634,000	0	0	0	7,810,000
2016	653,000	1,800,000	1,080,000	0	0	0	3,533,000
2017	0	2,087,000	1,011,000	0	0	0	3,098,000
TOTALS	\$8,200,000	\$20,000,000	\$28,110,000	\$15,550,000	\$2,110,000	\$1,030,000	\$75,000,000

Anticipated spending over the next four years in public safety includes the renovation of the public safety headquarters and fire station, the construction of a new fire training facility, fire station and police firing range, and the purchase of a new fire truck. Drainage projects includes the purchase of major equipment for drainage maintenance

obligations, improvements to several watersheds throughout the City, other general draining and flooding improvements throughout the City, and the rehabilitation of the El Dorado Bridge and Cartwright Bridge. Transportation projects includes additional traffic signals, various bridge rehabilitation and repairs, right of way management, improvements and roadway extensions as a result of new development and increased traffic, improvements to the Texas Parkway/Cartwright Corridors, sidewalk construction, and traffic system upgrades.

The 2008 Parks and Recreation Bond Election of \$17.5 million was approved with a 2:1 voter approval and is scheduled to be sold in the following increments:

**2008 Parks & Recreation
Bond Election (2:1 voter approval)**

FISCAL YEAR	PARKS & RECREATION
2010	\$8,000,000
2011	\$7,520,000
2012	\$0
2013	\$0
2014	\$500,000
2015	\$875,000
2016	\$550,000
2017	\$55,000
TOTALS	\$17,500,000

The remaining funding over the next several years will be used for the Recreation and Tennis Center equipment, and for various park and beautification improvement projects.

During the FY 2013 Budget discussions the City Council decided to create a bond task force to identify future bond project needs. It is estimated that their recommendations will be reviewed by the City Council in December 2013.

PLANNED FUNDING/SCHEDULING OF BOND ISSUES

City staff projects capital expenditure needs for the next five years. Future maintenance and operating costs are also considered so the impact on the general operating budget is considered before projects are approved. When applicable, assessments, impact fees, pro rata charges, interest earnings, contributions from developers and other agencies are used to leverage project costs.

Total project costs are adjusted yearly to account for the all funding sources and contributions. As projects are finalized or priorities adjusted, budget estimates are submitted to City Council for approval.

An implementation schedule was developed in phases to meet the following criteria: (1) To assure the sale of bonds was scheduled so that the debt service fund would not be impacted by more than a \$.04 property tax increase overall in both the 2003 and 2008 bond elections; and (2)

Financing is provided by the cash flow approach, whereby bonds are sold as needed to generate enough cash flow for project commitments within the phased schedule.

For fiscal year 2012, \$24.3 million was estimated to be spent on Capital Improvement Projects. Of this, \$11.7 million (48%) was allocated for parks and recreation projects, \$4.9 million (20%) was allocated for utility projects, \$3.5 million (14%) was allocated for transportation projects, \$2.2 million (9%) was allocated for drainage projects, and \$2.1 (9%) million was allocation for other projects. The majority of the external funding for these projects was \$2.4 million in Metro Sales Tax funds, and \$950,000 in a Texas Parks & Wildlife grant.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

New single-family housing starts for FY2012 totaled 166 new permits (132 in FY 2011) with a new valuation of \$32.3 million (\$26.7 million in FY2011). The average permit value was \$194,339 (\$202,372 in FY 2011). Development continued in FY2012 in the Creekmont, Lakeshore Harbor, and Crestmont areas. Existing home improvements and additions have seen 279 new permits (347 in FY2011) applied for totaling \$3.3 million (\$4 million in FY2011) during the year.

Despite the nationwide financial downturn over the past few years, Missouri City has seen much success in new corporate relocations and new business opportunities as well as major project expansions. Significant industry and manufacturing activity continues in the Beltway Crossing and Lakeview Business Park. The newly constructed 168-acre Lakeview Business Park, located just south of the reconstructed Buffalo Run Park in the northern part of Missouri City, was a private golf course until a few years ago. This project has room for approximately 2.5 million square feet of industrial distribution space.

In FY2011, a several large commercial businesses relocated to Missouri City such as Ben E. Keith, Professional Packaging Systems, Mission Foods, Charming Charlie, Inc., Star Precision Fabrication, Lufkin Automation, Kusha Foods, Flair Flexible Packaging and Global Geophysical Services. This fiscal year, Houston based Warren Alloy Valve & Fitting Co., an international distributor of various parts for the oil and gas industry, and Allied Fittings, a subsidiary of Warren Allow, were added. Additional large distributors to relocate were Twin Star Bakery and Southwest Electronic Energy. Niagara Bottling will open in early FY2013 large bottle manufacturing and water distribution facility in the Lakeview Business Park.

Retail and hotel growth along Highway 6 and FM 1092 areas continued in FY2012 with many new businesses relocating to the community or constructing new sites. In the Fort Bend Town Center and Sienna Village areas, many more retail outlets opened during FY2012. This includes a new Walmart Supercenter. Besides the Wal-Mart building, there will also be 8 parcels located in front for other retail development. A new Hampton Inn is being constructed which will add to the City's hotel tax base.

Several new eating establishments have been added from the far eastern section of Highway 6 to the western city limits. Many health and dental facilities have opened including various nursing and rehabilitation centers. There have been over 100 new and relocated establishments during the year.

Reconstruction of both sides of Texas Parkway (FM2234) has been ongoing since early FY2011, providing new sidewalks and drainage as a result of the Texas Parkway Revitalization and

Sidewalk project. Many new businesses along this corridor have been constructed creating more jobs and sales tax revenues. The \$1.8 million Phase One project was completed in FY2011 and is funded by Tax Increment Reinvestment #1. Phase II, which includes lighting and landscaping, has begun in FY2012 and should be complete by FY2014.

Overall, new commercial valuation totaled \$147 million from 56 permits, an increase of \$41 million, or 39%, in value from the prior year. Existing commercial value increased by \$5.4 million as 123 new permits were applied for. In addition, new construction for religious institutions and educational facilities has added \$6.8 million in non taxable value.

PARKS PROJECTS

In the 2009 fiscal year, the City authorized the sale of \$9.5 million in general obligation bonds to fund improvements for various parks projects. This includes a new \$10.1 million Community Center with a Pro Shop that was completed in FY2012. It replaced the old Quail Valley golf course clubhouse built in 1970. The new \$6.9 million Recreation and Tennis Center also opened during the year which contains a full sized gymnasium, a state of the art fitness room, office space, community meeting rooms, and a spacious aerobics room. Outside there are 13 new fully lighted tennis courts and three outdoor batting cages.

New hiking and biking trails for the Oyster Creek and Edible Arbor trail systems began construction in FY2011. The second phase of Oyster Creek Trail was completed in FY2012, which offers a 2.3 mile bike/pedestrian trail along Oyster Creek Bayou. After years of planning, the City officially celebrated the grand opening of the Edible Arbor Trail, the first of its kind in the region.

TRANSPORTATION AND TRAFFIC MANAGEMENT

The City of Missouri City updated its Traffic Management Plan, which includes a Thoroughfare Plan. The blueprint will serve as a guideline to seek federal and state funding for major transportation projects. The plan is based on the expected growth in the City through the year 2025 and will provide a road map for a comprehensive transportation network to allow staff to better manage existing and projected transportation needs for major roadways. Black poles with closed-circuit monitors to help staff remotely monitor traffic movement are being installed along major traffic routes. The project includes synchronization for 52 traffic signals around the City and will enable them to communicate with each other and adapt to different traffic patterns during various times of the day and different days of the week. This will greatly improve mobility and shorten travel times.

The City incurred construction costs of \$2.95 million for the installation of additional left turn lanes, dedicated right turn lanes and new signals along Highway 6. The improvements are part of the City's Intelligent Transportation System that will synchronize traffic signals along Highway 6 and FM1092. A portion of funding for the enhancements will come from the Fort Bend County Mobility Bond Program, which is providing \$1.53 million of the total project cost. Walgreens has contributed \$30,000 toward the work and the City is exploring additional contributions from other affected property owners.

The City and a neighboring city partnered in interlocal agreements for the construction of signal synchronizations at 21 intersections. Together, both parts of the project will exceed just over \$744,000. Funding will also come from the Texas Department of Transportation at nearly \$109,000 for medians along State Highway 6. The City approved of an Advance Funding Agreement between the City and the Texas Department of Transportation (TXDOT) for the construction of access management improvements along Texas Parkway from Third Street to

Cartwright Road to construct raised medians. Currently, funding has not been obtained but is being sought for this project.

Raised medians throughout many areas of the City have been a priority for not only improved traffic flow, but also traffic safety. The majority of the Highway 6 median project is funded through American Recovery and Reinvestment Act stimulus funds. Raised medians along Highway 6, from the westernmost edge of the City to the Fort Bend Toll Road have been completed. In addition, median construction is currently ongoing on the entire Texas Parkway corridor which should be completed in the fall of FY2013. Depending on the width of the raised medians, they will have a concrete surface, a brick looking surface or grass.

A full reconstruction of South Gessner Road was completed in FY2012 at a total cost of \$4 million. The project includes revamping the roadway, updating signals, reconstructing about 1,000 feet of roadway from asphalt to concrete, and conducting site repairs. Fort Bend County has contributed an additional \$2.4 million toward the cost of the project through its mobility bond program and Harris County has contributed \$1.3 million. Other completed road improvements include the reconstruction of Dulles Avenue between Highway 90A and Highway 6 for additional turn lanes funded, and Quail Valley East Drive.

The City is currently reviewing the use of Wayfinding signs to help facilitate finding various to major civic, visitor, and recreational destinations. Wayfinding signs are a systematic network of directional signs installed and maintained by a city to help direct the public. In addition, an enhancement marker or a sign or portion of a sign where a shape, color or pictograph is used as an aesthetic identifier at the top or side of and incorporated into a Wayfinding sign can be used. A pictograph is a non-commercial graphic for a governmental agency or public institution. The Wayfinding Guide Sign System Plan has been submitted to TxDOT for approval.

During the year, the start of the METRO Park & Ride bus service began for area residents with 98 percent of riders satisfied with the commuting option. Residents are overwhelmingly supportive of the rides that give them access to jobs in the Medical Center and Houston downtown transit points. There are approximately 700 daily boardings each month from the two locations, with an average of 50 daily bus trips. Plans are under way for the permanent Park and Ride site to be located behind the Fort Bend Town Center located on Highway 6 at the Fort Bend Toll Road.

Two interlocal agreements exist for roadway construction. One is with the Fort Bend County Toll Road Authority and the Sienna Plantation Municipal Management District for the extension of the Fort Bend Parkway to Sienna Parkway, and another with the Fort Bend County for roadway extension of Vicksburg Boulevard. Included is the signal design for the intersection of Vicksburg Road at Lake Olympia Parkway at an estimated design cost of nearly \$211,000.

In addition, the City is preparing for a Commuter Rail Transit Station to advance commuter rail along U.S. 90A for improved regional mobility providing a direct link to the Texas Medical Center and downtown Houston. The proposed infrastructure improvements were identified as a priority transportation investment in the voter-approved 2003 METRO Solutions Plan and recently as part of the Houston-Galveston Area Council 2035 Regional Transportation Plan. According to METRO, the METRO Board is currently committed to the design and engineering work for the US90A/Southwest Rail Corridor extending to the West Sam Houston Tollway (Beltway 8) in Missouri City.

GROUNDWATER REDUCTION PLAN/SURFACE WATER TREATMENT PLANT

The City must meet the goals of the Groundwater Reduction Plan mandated by the Fort Bend Subsidence District for groundwater withdrawals of 70 percent of total water demand by January 1, 2014. By January of 2025, withdrawals must be reduced to 40 percent of water demand.

A state-of-the art \$50 million dollar Surface Water Treatment Plant on a 40-acre site along the Brazos River has been constructed and will have the capacity to produce 21 million gallons of water per day in 2017 and 33 million gallons in 2027. The plant can store up to 100 million gallons of water, taking surface water from the Brazos River, then remove dirt with high-tech membrane filters, treat and disinfect the water, and ultimately send the water to various utility districts. This is the largest project the City has ever undertaken and became operational in FY2012.

The project brought together 40 separate entities and consolidated 57 well permits under a single permit. The City acquired surface water rights from the Brazos River years ago. Completion began ahead of the mandated groundwater reduction requirements. Currently, the plant is 60 percent complete and has been delivering 2 million gallons of water per day. The cost is being paid by water users which is the lowest in the area and not with direct taxpayer dollars.

The operation's excellence has already been recognized statewide as the plant recently won the Texas Public Works Association's Project of the Year Award for "Environmental Projects at least \$25 million but less than \$75 million." Plant engineers say the quality of the refined water should exceed that of the groundwater residents currently drink with 33 types of tests conducted each day to ensure the water is safe to use.

STEEP BANK/FLAT BANK WASTEWATER TREATMENT PLANT

Originally built in 1998, the Steep Bank/Flat Bank WWTP completed expansion in FY2011 from a 1.5 million gallon per day treatment facility to process 3 million gallons per day, and can now serve 16,500 residents. The original cost estimate of this expansion project was \$9.5 million, but the actual cost was \$6.6 million, resulting in a savings of \$3 million. The cost of the project is funded by utility district capital recovery charges.

The City just entered into an agreement with Sienna Plantation Municipal Utility District 1 for a Regional Force Main and Lift Station addition totaling approximately \$2.5 million. The City will own the addition and the District will reimburse the City for its share. The payments will eventually be applied to offset the City's 2008A debt service payment.

STORMWATER MANAGEMENT

The City joined with 15 other Municipal Utility Districts (MUDs) to implement a Storm Water Management Program designed to address storm water quality management issues typical of a growing residential community. Stormwater management is an essential component of community infrastructure and serves to provide both increased convenience and protection of lives and property. A properly designed system will control and carry away runoff from rainfall events while allowing the movement of vehicles to homes and businesses. It will also ensure the runoffs will carry the minimum amount of pollutants in area water bodies. In a time when subsidence issues are forcing communities to go to surface water sources to meet our drinking water needs, the protection of water quality becomes especially critical.

Missouri City and other small municipalities with populations less than 100,000 are now regulated as Phase II municipalities under the National Pollutant Discharge Elimination System

(NPDES) and Texas Pollutant Discharge Elimination System (TPDES) municipal separate storm sewer systems (MS4) permit requirements.

MISSOURI CITY AM RADIO STATION

The City has completed the installation of the City's low-power broadcasting station, one of 35 low power stations in Texas. The station will primarily be used to transmit weather bulletins and traffic and road construction updates, featuring directions to City landmarks and events. The station will also allow the City's Emergency Operations Center to provide information and instructions during amber alerts, flash floods, hurricanes, power outages and other emergencies.

The City's low-power AM radio station will be accessible to the public via a hand-cranked or battery-powered radio, providing staff with another avenue to share important emergency messages with residents.

TECHNOLOGY AND TELECOMMUNICATIONS EQUIPMENT

The City was able to purchase many technology and pieces of telecommunications equipment with assistance from grant funds such as the Department of Homeland Security and the Department of Justice. These primarily include \$607,000 for public safety equipment and safety communications.

In October, the City issued \$1,740,000 in Tax Notes for the purchase of ERP and Public Safety Software. Of this, a total of \$1 million had been spent thus far on software research, training and implementation during FY2012. The remaining \$740,000 is expected to be spent in FY2013 as the various modules are phased in for completion.

COMMUNITY NEWS

Missouri City reaches out to meet the needs of residents through a strong homeowner's association liaison program. Missouri City uses a variety of communications tools to keep the community informed, such as its award winning website, the quarterly citizen newsletter, the Missouri City cable television station, daily news releases and the 1690 AM radio station.

Key to residents is the City's ongoing proactive community-based public safety programs. National Night Out each fall allows residents to meet their neighbors, discuss crime prevention measures and talk with their City Council members, the officers who patrol and the firefighters who also protect their neighborhoods. We can credit our low crime rate to police working so closely with citizens to prevent crime with the help of a \$894,000 federal grant to fund four new positions through August 2014 and the new PrintTrak Station equipment for improved crime scene investigations. During FY2012 there were at least five cases that closed as a result of the new equipment which likely would not have been solved without the equipment.

The Missouri City Auto Burglary and Theft Prevention Task Force (BAT Team) was one of only four auto burglary and theft prevention task forces in Texas to receive increased funding from the Auto Burglary and Theft Prevention Authority. The funding will be only used for existing personnel, and not equipment, overtime, or new personnel. The Authority granted Missouri City a grant for \$146,363 during the year, as compared to \$130,426 for FY2011, a 12% increase in funding.

OTHER

In June 2000, the Missouri City Council approved the creation of a Development Authority for the City that is responsible for management of all Public Improvement Districts (PIDs) and Tax Increment Reinvestment Zones (TIRZs) created by the City. One zone was formed to develop a problem area that had long been noted for substandard housing and a lack of public infrastructure. Another zone was formed so that drainage problems could be handled on a regional basis.

In May 2009, the City of Missouri City established the Missouri City Recreation and Leisure Local Government Corporation (LGC) to provide aid, and act on behalf of the City of Missouri City, in acquiring, improving, maintaining, or operating public parks and other public recreational facilities within the City of Missouri City, including, without limitation, golf courses, tennis centers, recreational centers, sports complexes, hikes and bike trails, and nature preserves. At the beginning of FY2009, the City operated the Quail Valley Golf Course while settlement negotiations for ownership of the course were in progress. Finally, in May 2010, settlement was completed, and final sale of the course to the City was \$7.375 million. The Missouri City Recreation and Leisure LGC was established as an Enterprise Fund providing golf and restaurant services to the general public.

Excluded from the reporting entity of the City are various special districts established under state law and operating under related regulations for the purpose of providing residential and commercial water, sewer, storm, drainage, and flood control services.

The City requires developers to construct streets, drainage, utilities, etc., according to City specifications. Street light installation and operation are paid by the homeowner associations for three years or until the subdivision is 80 percent complete. After that time, the City is responsible for the electricity if the HOA or responsible party requests the City take over the maintenance.

In accordance with the implementation of the Texas Property Tax Code, the Fort Bend County Central Appraisal District and Harris County Appraisal District provide appraisals of property located within the City.

AWARDS

In FY2012, Missouri City continued to earn its reputation as the “Show Me” City with yet another national ranking from MONEY Magazine and CNNMoney. Missouri City was ranked #3 in the “Top 10 Most Affordable Cities for Homebuyers” (population 50,000 to 300,000).

Rice University released a report during FY2012 indicating that Missouri City has surpassed Houston as the region’s most diverse city. The Congressional Quarterly ranks Missouri City as “One of the Safest Cities in America,” and Avid Magazine ranks Missouri City as one of the “Best Value” for golfers.

Several programs initiated by the Missouri City Parks & Recreation Department during FY2012 have been recognized by the Houston-Galveston Area Council as part of the Parks and Natural Areas Award competition. The City’s Edible Arbor Trail received an Honorable Mention from the Texas Recreation and Parks Society and the Houston-Galveston Area Council in the innovation category of “On-the-Ground Projects.”

Missouri City had the distinction of being recognized during the year for statewide and national awards for the communication of programs and services it offers its residents, receiving a Silver Award from the Texas Association of Municipal Information Officers as the “Most Creative

Marketing with the Least Dollars Spent” and being honored by the Texas Association of Telecommunications for overall programming.

The Missouri City Police Department was 1 of 66 recipients in Texas to receive the “Recognized Law Enforcement Agency” status from the Texas Police Chiefs Association Foundation Recognition Program..

ACCOUNTING SYSTEMS AND BUDGETING CONTROL

ACCOUNTING SYSTEMS

The City’s accounting records for general governmental operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the services and goods are received and the liabilities are incurred. Accounting records for the City’s proprietary activities are maintained on the accrual basis.

Consideration of adequate internal accounting controls has been made in designing the City’s accounting system. Internal accounting controls, instituted by the Finance Department as part of the accounting system, are designed to provide reasonable assurances that assets are properly safeguarded against loss from unauthorized use or disposition, that financial records used in preparation of the financial statements are reliable, and that accountability for the City’s assets is maintained. The concept of reasonable assurance in relation to internal controls recognizes that the cost of a control process should not exceed the benefits derived from the performance of related procedures and that the City’s management must make estimates and judgments in evaluating the cost and benefit relationships relating to internal control processes and procedures that become a part of the City’s accounting system.

BUDGETARY COMPLIANCE

Because budgetary compliance is significant in managing governmental activities, budgetary compliance controls are critical. The objective of these controls is to ensure compliance with legal spending limits in annual or project appropriated budgets approved by City Council. The City Charter provides that the City Council shall adopt annual or project budgets every fiscal year for all City funds. The budgets are prepared and maintained by the city management.

The budgetary process is initiated by a goal setting meeting and budget planning session with City Council. The City Council reviews the five-year general operating revenue and expenditure projections and determines the City’s goals and priorities for the year. Following this meeting, budget revenue estimates are made by the Finance Director in March of each year and are amended in early May. The estimates are evaluated by the City Manager before inclusion in the total budget. Basic budget requests are developed at the department level and submitted to the Finance Department for analysis and compilation. The basic budget is considered to be the minimum budget that is necessary for the continuation of current municipal service levels during the next fiscal year. Supplemental requests for proposed changes from the basic budget, except for certain capital items, are then submitted by the Department Heads to the City Manager.

Finally, the five-year capital requests are submitted. After the City Manager’s review and approval, the proposed budget is compiled by the Finance Department and submitted to the City Council Budget Committee, comprised of three City Council members, City Manager and

Finance Director, for consideration, review and changes for final approval by the entire City Council.

BUDGETARY CONTROLS

During the year, expenditure controls are maintained by each department with review of the budget provided by the Finance Director and overall control exercised by the City Manager. Constant review of revenue and expenditure estimates is performed to assure the integrity of the adopted budget and to assure funds are available to meet current obligations. As a result of this review, it is possible to exercise administrative budgetary controls throughout the year. As demonstrated by the financial statements presented in this report, the City continues to meet its responsibility for sound financial management.

OTHER INFORMATION

FISCAL AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Missouri City, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized comprehensive annual financial report, the contents of which conform to program standards. Such comprehensive annual financial reports must satisfy both U.S. Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Missouri City has received a Certificate of Achievement for 28 consecutive years. We believe our current Comprehensive Annual Financial Report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for review.

In addition, the City received the GFOA's award for Distinguished Budget Presentation for its annual budget document dated July 1, 2011. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. We like to express our appreciation to all members of the finance department staff and other City department staff who assisted and contributed to the preparation of this report. Credit must also be given to the Mayor, City Council, and Audit Committee members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Missouri City's finances.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Missouri City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 1522 Texas Parkway, Missouri City, TX 77489, phone 281-403-8500, email address wvela@missouricitytx.gov.

Respectfully submitted,



Edward Broussard
City Manager



Wesley J. Vela, CPA
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Missouri City
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

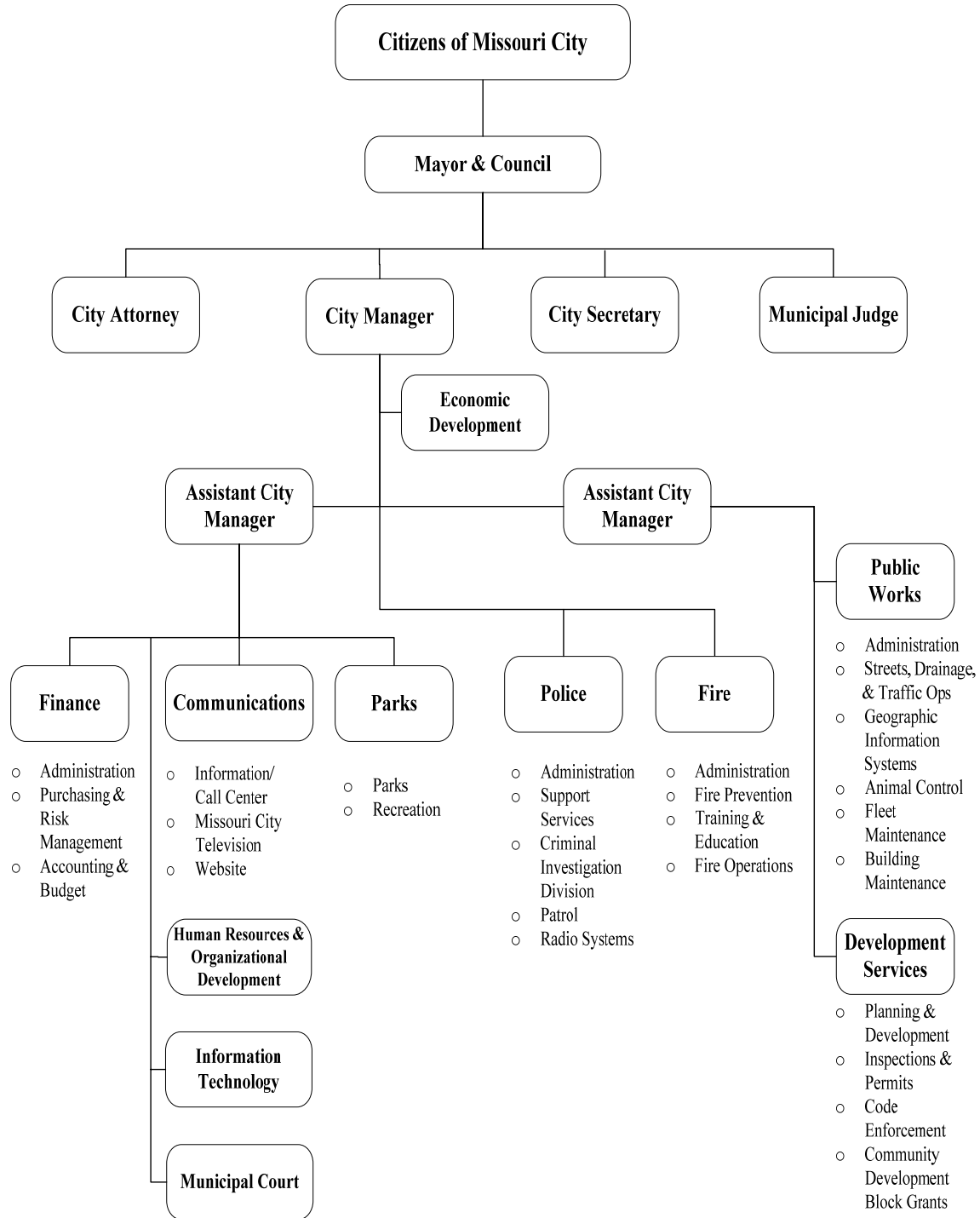


Linda C. Sandson

President

Jeffrey R. Emmer

Executive Director



CITY OF MISSOURI CITY, TEXAS
List of Principal Officials
As of June 30, 2012



Allen Owen
Mayor
aowen@missouricitytx.gov



Jerry Wyatt
Mayor Pro Tem
Council At Large, Position 1
jwyatt@missouricitytx.gov



Danny Nguyen
Council At Large, Position 2
dnguyen@missouricitytx.gov



Robert Marshall
Council, District A
bmarshall@missouricitytx.gov



Don Smith
Council, District B
dsmith@missouricitytx.gov



Robin Elackatt
Council, District C
relackatt@missouricitytx.gov



Floyd Emery
Council, District D
femery@missouricitytx.gov

Elected Officials

Allen Owen	Mayor
Jerry Wyatt (At Large, Position 1)	Mayor Pro Tem
Danny Nguyen (At Large, Position 2)	Council Member
Robert Marshall (District A)	Council Member
Don Smith (District B)	Council Member
Robin Elackatt (District C)	Council Member
Floyd Emery (District D)	Council Member

Appointed Officials

Edward Broussard	City Manager
Maria Gonzalez	City Secretary
Caroline Kelly	City Attorney

Executive Managers

Bill Atkinson	Assistant City Manager
Scott Elmer	Assistant City Manager
Wes Vela	Director of Finance
Joel Fitzgerald	Police Chief
Russell Sander	Fire Chief
Vacant	Director of Public Works
Larry Foos	Director of Parks & Recreation
Gary Smith	Director of Development Services
Edward Williams	Director of Human Resources/ Organizational Development
Barbara Brescian	Director of Communications
Kendall Litchfield	Director of Information Technology

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members of City Council
City of Missouri City, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Missouri City, Texas (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17, and budgetary comparison, required pension system, and other post-employment benefits on pages 70 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas

January 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

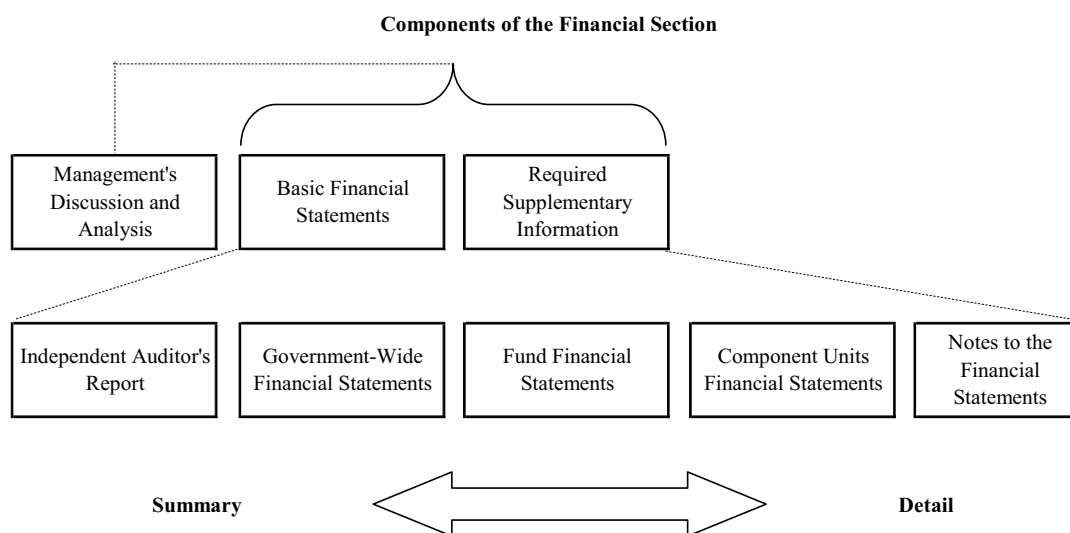
As management of the City of Missouri City, we offer readers of the City of Missouri City's financial statements this narrative overview and analysis of the financial activities of the City of Missouri City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-xv of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Missouri City exceeded its liabilities at the close of the most recent fiscal year by \$172.1 million (net assets). Of this amount, \$28.4 million is restricted for special purposes and \$12.7 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$27.2 million during the year.
- The City of Missouri City's total expenses were \$57.6 million. Program revenues of \$49 million reduced the net cost of the City's functions to be financed from the City's general revenues to \$8 million.
- The City of Missouri City's total debt decreased by \$6.3 million during the current fiscal year. The key factors in this increase were the principal payment of \$5.2 million in general obligation bonds and \$962,000 in certificates of obligation, and \$255,000 in increment revenue bonds. The City issued \$1.7 million in tax notes, reduced by \$155,000 in principal payments during the year.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. As the following chart shows, the financial section of this report has three components - *management's discussion and analysis* (this section), the *basic financial statements* and *required supplementary information*.



OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Missouri City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way that helps answer the question of whether the City is better off this year as compared to last year. These statements include all assets and liabilities and are presented on the accrual basis of accounting. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Assets presents information on all of the City of Missouri City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Missouri City is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, finance, police, fire, public works, certain regional wastewater treatment services for local municipal utility districts (non-enterprise), parks and recreation and planning. The business-type activities of the City include regional wastewater treatment services for local municipal utility districts.

The government-wide financial statements include not only the City of Missouri City itself (known as the primary government), but also legally separate component units for which the City of Missouri City is financially accountable. These component units are the Missouri City Development Authority, Tax Increment Reinvestment Zones 1, 2 and 3, and Public Improvement Districts 2, 3 and 4. All of these component units function for all practical purposes as departments of the City, almost entirely benefiting the City, and, therefore, have been included as an integral part ("blended") of the primary government.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is now on the City's most significant funds. The fund financial statements provide more information about the City's most significant funds - not the City as a whole.

The City has two types of funds:

Governmental Funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement that explains the relationship/differences between them.

The City maintains 20 individual governmental funds for financial reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the debt service fund, and the bond fund, all of which are considered to be major funds. Data from the other funds is provided in the column labeled "other governmental funds."

Proprietary Funds - Proprietary Funds include the City's Enterprise and Internal Service Funds. Three types of enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. These are the Water and Wastewater Utility Fund, the Surface Water Utility Fund, and other enterprise funds which include the Missouri City Recreation and Leisure Local Government Corporation (LGC) which is a public, non-profit corporation, the Solid Waste Collections Fund, and the Hotel Occupancy Tax Fund.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses five internal service funds to account for asset replacement and maintenance activities for the vehicle fleet, management information services and equipment and buildings. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because the services accounted for in the internal service funds benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30-68 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget

compliance, its progress in funding its obligation to provide pension benefits to its employees, and condition and maintenance data regarding certain portions of the City's infrastructure. Required supplementary information (RSI) and notes to RSI can be found on pages 70-74 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$172 million.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

SUMMARY OF STATEMENT OF NET ASSETS
As of June 30, 2012 and 2011
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 42,867	\$ 55,449	\$ 23,546	\$ 34,040	\$ 66,413	\$ 89,489
Capital assets, net	206,385	174,949	71,554	58,540	277,939	233,489
Total Assets	249,252	230,398	95,100	92,580	344,352	322,978
Long-term Liabilities	107,434	111,534	56,892	58,465	164,326	169,999
Other liabilities	5,499	3,724	2,413	4,331	7,912	8,055
Total Liabilities	112,933	115,258	59,305	62,796	172,238	178,054
Net Assets:						
Invested in capital assets net of debt	112,072	90,854	19,054	16,338	131,127	107,192
Restricted	17,692	15,821	10,721	10,225	28,413	26,045
Unrestricted	6,555	8,465	6,020	3,223	12,575	11,688
Total Net Assets	\$ 136,319	\$ 115,140	\$ 35,795	\$ 29,785	\$ 172,114	\$ 144,925

Nearly 76 percent of the City's net assets reflect its investment in capital assets (e.g., land, intangible assets - right of way, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another major portion of the City's net assets represents Capital project resources (8%) that are subject to external restrictions on how they may be used.

Governmental Net Assets increased by \$27 million during the current fiscal year due to an increase of capital grants and contributions of \$15.8 million. This was the result of added completed projects during the year.

Statement of Activities

The following table provides a summary of the City's changes in net assets:

CHANGES IN NET ASSETS

For the Fiscal Years Ended June 30, 2012 and 2011

(amounts expressed in thousands)

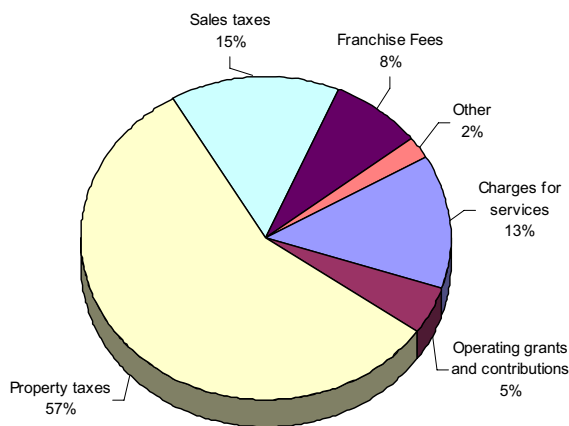
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for Services	\$ 5,597	\$ 5,028	\$ 14,912	\$ 12,447	\$ 20,508	\$ 17,475
Operating grants and contributions	1,977	1,423	736	785	2,712	2,207
Capital grants and contributions	24,371	8,522	1,932	252	26,302	8,774
General revenues:						
Property taxes	24,054	24,693			24,054	24,693
Sales taxes	6,250	5,926			6,250	5,926
Other	4,334	3,707	574	410	4,908	4,117
Total Revenues	66,583	49,300	18,154	13,894	84,736	63,192
Expenses						
General government	4,005	4,257			4,005	4,257
Finance	1,728	1,812			1,728	1,812
Police	12,359	11,357			12,359	11,357
Fire	7,123	6,535			7,123	6,535
Public works	9,805	9,613			9,805	9,613
Parks and recreation	3,603	3,194			3,603	3,194
Planning	2,887	2,680			2,887	2,680
Utilities and Wastewater			2,700	2,707	2,700	2,707
Surface Water Utility			3,814	3,114	3,814	3,114
Other			5,177	4,110	5,177	4,110
Interest on long-term debt	4,354	4,535			4,354	4,535
Total Expenses	45,864	43,985	11,692	9,930	57,556	53,915
Increase in Net Assets Before Transfers	20,719	5,315	6,462	3,962	27,180	9,277
Transfers	460	1,408	(460)	(1,408)	-	-
Increase in Net Assets	21,179	6,723	6,002	2,555	27,180	9,277
Net assets, Beginning	115,140	108,417	29,785	27,230	144,925	135,647
Net Assets, Ending	\$ 136,319	\$ 115,140	\$ 35,787	\$ 29,785	\$ 172,105	\$ 144,924

GOVERNMENTAL ACTIVITIES

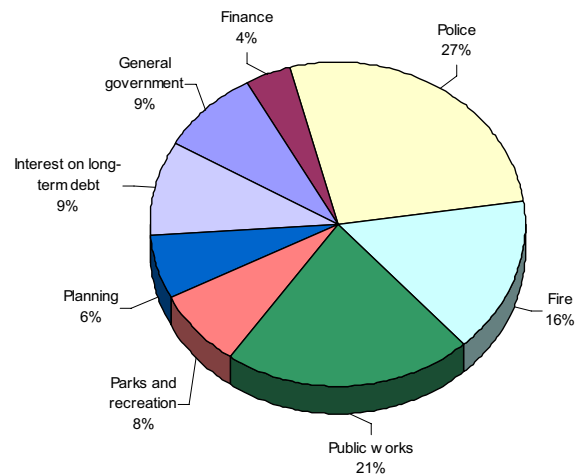
- Property taxes decreased by approximately \$639,000 from the prior year primarily due to a reduction in the assessed value on property, of which this amount is expected to reverse in FY2013.
- Total governmental activities revenues increased by \$17.3 million mostly as a result of increases in contributed capital (\$15.8 million) of non-cash related assets as compared to FY11. Developers and Municipal Utility Districts were the key contributors of these revenues.
- Total governmental activities expenses increased by \$1.9 million. Police expenditures increased by \$1 million (\$650,000 in capital outlays and \$300,000 in personnel), fire expenditures increased by \$588,000 (\$527,000 capital outlays), and parks expenditures increased by \$409,000 (\$248,000 in commodities & park supplies).

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



Governmental Functional Expenses



BUSINESS-TYPE ACTIVITIES

Business-type activities represent: (1) Water and Wastewater Utilities for the operations of the Northeast Oyster Creek (NEOC) service area and the Mustang Bayou service area, (2) Surface Water Utilities as part of the Groundwater Reduction Plan (GRP), and (3) other Enterprise Funds which include the Missouri City Recreation and Leisure Local Government Corporation, the Solid Waste Collection Fund, and the Hotel Occupancy Tax Fund.

- Business-type Net Assets increased by \$6 million during the current fiscal year due to additional revenues in the Surface Water Utility Fund (\$1.2 million), other Enterprise Funds (\$915,000), and capital grants and contributions (\$1.7 million). The completion of utility construction projects and additional customers added during the year allowed for an increase in user fees to cover operating costs.
- Business-type activity revenues increased by \$4.3 million as compared to FY2011. The majority of the increase is due to additional utility customers in the Surface Water Utility Fund and the Water and Wastewater Utility Fund. The Solid Waste Collection Fund is in its second year of operations which accounts for solid waste disposal fees (\$2.5 million) by MUD's and city residents. In addition, the Missouri City Recreation and Leisure LGC Fund collected \$2.7 million in revenues related to the new municipal golf course, an increase of \$60,000 over the prior year.
- Total business-type activities increased the City's net assets by \$6 million. The majority of the increase was from the Surface Water Utility Fund Net Assets (\$3.7 million) and the Water and Wastewater Utility Fund Net Assets (\$2.2 million) during the year as a result of added customers during the year.
- Charges for services for enterprise activities increased by \$2.5 million due to increased revenues from Surface Water utilities (\$1.2 million), and the Solid Waste Collection Fund (\$915,000) within the other Enterprise Funds. These revenues have increased significantly as a result of new customers and an increased volume of services.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$34.6 million at the end of the fiscal year. Of this, \$26.2 million is restricted for specific purposes, \$585,000 is assigned for other purposes, and \$7.8 million is unassigned and available for day-to-day operations of the City.

The general fund is the main operating fund of the City. At the end of the current fiscal year, the total general fund balance was \$8.4 million. As a measure of the general fund's liquidity, the City compares total fund balance to total fund expenditures. Total fund balance represents 25.4 percent of total general fund expenditures at the end of Fiscal 2012.

The fund balance of the City's general fund decreased by \$650,000 during the current fiscal year. The key factors related to this increase in financial performance are as follows:

- Total general fund revenues decreased by \$179,000 as compared to FY2011 due to a decrease in property tax revenues of \$534,000. Sales taxes increased by \$324,000.

- Total general fund expenditures increased during the current fiscal year by \$590,000 as compared to FY2011. The majority of this increase was in police expenditures of \$662,000.
- Transfers from other funds decreased by \$748,000. The majority of the decrease was due to \$955,000 less in transfers from the Surface Water Treatment Fund as a result of reimbursements for general fund expenditures that ended in FY2011.

The debt service fund has a total fund balance of \$6.7 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the current fiscal year in the debt service fund was \$419,000 million. Overall, revenues exceeded expenditures by \$108,000. There were transfers in of \$310,000 from various MUD's as part of the Water & Wastewater Utility Fund. Compared to FY2011, property tax collections decreased by \$261,000, principal and interest payments increased by \$1.1 million due to additional debt service requirements incurred in recent years.

The bond fund has a total fund balance of \$7.7 million, a decrease of \$15.8 million from the prior year. This decrease can be attributed to the spending down of bond proceeds received in the prior year on capital projects.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Water and Wastewater Utility Fund and the Surface Water Utility Fund amounted to \$24.6 million and \$10.9 million, respectively. Net Assets of the other enterprise funds amounted to \$384,000. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund fund balance decreased by \$2.1 million primarily due to reduced revenues of \$173,000, increases expenditures of \$852,000, and reduced transfers of \$747,000 as compared to FY2011. Expenditures in the police and fire departments increased by \$501,000 and \$416,000, respectively, as compared to the prior year. Total general fund actual expenditures were \$2.1 million less than the final budget appropriation.

Final budget versus actual revenues for property taxes and penalties were unfavorable by \$604,000 due to fewer collections of property taxes during the year as a result of a weaker economy. In FY2011, this amount was \$151,000. Intergovernmental revenues were \$1.2 million less than budgeted primarily due to a decrease in federal grant revenues.

CAPITAL ASSETS

The City of Missouri City's investment in capital assets for its governmental and business type activities as of June 30, 2012, amounts to \$278 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery, equipment and infrastructure.

SCHEDULE OF CAPITAL ASSETS
(net of depreciation in thousands)

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
Non-Depreciable Assets						
Land	\$ 11,788	\$ 11,788	\$ 4,741	\$ 2,138	\$ 16,529	\$ 13,926
Intangibles - Right of Way	2,711	2,711	11	11	2,722	2,721
Construction in progress	19,422	18,955	335	43,005	19,758	61,960
Other Capital Assets						
Infrastructure	124,229	99,906	62,031	8,719	186,260	108,625
Buildings	20,092	20,278	2,935	3,014	23,027	23,292
Improvements other than buildings	23,021	15,723	54	61	23,076	15,784
Machinery and equipment	5,122	5,589	1,446	1,592	6,567	7,181
Totals	<u>\$ 206,385</u>	<u>\$ 174,949</u>	<u>\$ 71,554</u>	<u>\$ 58,540</u>	<u>\$ 277,938</u>	<u>\$ 233,490</u>

Construction in progress for the governmental funds (\$19.4 million) at year-end represents numerous ongoing projects, the largest of which relates to the City Centre at Quail Valley (\$8.7 million), the new Recreation & Tennis Center (\$5.5 million), and the ERP Financial system (\$1 million).

The construction in progress balance for the enterprise funds is down (\$42.7 million) as compared to FY2011 due to the completion of the Surface Water Treatment Plant and near completion of the Steepbank Flatbank Wastewater Treatment Plant. The remaining balance of the enterprise fund construction in progress is \$335,000 which represents three projects: the Mustang Bayou Water Plant (\$183,000) and the Sienna North Conversion to Steepbank Flatbank project (\$162,000). The Steepbank Flatbank Wastewater Treatment Plant is in its final stage of completion.

Additional information on the City's capital assets can be found in Note 7 to the financial statements.

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt outstanding of \$157 million. Of this amount, \$66.2 million is general obligation debt and \$35 million comprises of debt as shown below. Business-type activities debt is comprised of \$54.1 million in Certificates of Obligation.

SCHEDULE OF LONG-TERM LIABILITIES
(net of depreciation in thousands)

	Governmental Activities		Business-type Activities		Total Activities	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 66,235	\$ 71,425	\$ -	\$ -	\$ 66,235	\$ 71,425
Certificates of Obligation	29,640	30,603	54,125	55,582	83,765	86,185
Increment Revenue Bonds	5,365	5,620	-	-	5,365	5,620
Tax Notes	1,575	-	-	-	1,575	-
Totals	<u>\$ 102,814</u>	<u>\$ 107,648</u>	<u>\$ 54,125</u>	<u>\$ 55,582</u>	<u>\$156,939</u>	<u>\$163,230</u>

The City's total debt decreased by \$6.3 million (4 percent) from the prior fiscal year. The City issued \$1,730,000 in Tax Notes during the year for the new ERP financial system. This decrease was due to the debt service principal payments in the current fiscal year. The principal reduction of all debt during the year was \$7.9 million.

All general obligation debt is scheduled to be retired by 2038.

The City has earned an "AA-" rating from Standard and Poor's and an "Aa2" rating from Moody's Investor Service. The City generally insures its debt issues to receive an "AAA" rating.

More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

DEMOGRAPHIC FACTORS

The unemployment rate for Missouri City as of June 30, 2012, was 6.7 percent. The U.S. and Texas unemployment rates for June 2012 were 8.2 percent and 7.0 percent, respectively.

The city is expected to increase its population base over the next 5 years by 15%. Payroll earned at Missouri City jobs has grown considerably over the past 5 years, at just over \$140 million. Many new jobs are being created in Missouri City each year, particularly in the industrial and retail sectors. Employment growth has been strong countywide and employment in Fort Bend County over the past 10 years as a total of 43,400 new jobs were created from 2003 to 2012 in Fort Bend County, about a 45% increase.

High median household incomes relative to housing prices have kept Missouri City much more affordable than its competitor cities. Missouri City has an even distribution of population by all age groups with the three largest average shares of population being between the ages of 44-54 (16.8%), ages 35-44 (14.2%), and ages 55-64 (14%). By 2016, it is expected that the average ages of population is expected to remain fairly the same with the majority of the population at ages 44-54 (15.4%), ages 55-64 (15.1%), and ages 34-44 (15.5%). The average median age as of 2011 was 37.8 years of age, an average median household income of \$83,652, and an average household income of \$101,888.

Retail sales in Missouri City have grown by 71% over the past 10 years since 2003 reaching \$6.25 million in 2012.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Missouri City's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to Wesley J. Vela, Finance Director, City Hall, 1522 Texas Parkway, Missouri City, TX 77489, telephone (281) 403-8610; or, for general City information, visit the City's website at www.missouricitytx.gov.

BASIC FINANCIAL STATEMENTS

City of Missouri City, Texas
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Funds	Business-type Activities	Total
Assets			
Cash, cash equivalents and investments	\$36,965,474	\$314,792	\$37,280,266
Receivables	4,829,099	1,075,092	5,904,191
Internal balances	175,048	(175,048)	-
Inventories	149,820	116,622	266,442
Deferred Charges	747,950	360,080	1,108,030
Restricted assets:			
Cash and cash equivalents	-	3,004,091	3,004,091
Investments	-	18,849,962	18,849,962
Capital assets not being depreciated:			
Land	11,787,967	4,741,426	16,529,393
Right of Way	2,711,421	11,000	2,722,421
Construction in progress	19,422,382	335,196	19,757,578
Capital assets net of depreciation:			
Infrastructure	124,228,569	62,031,385	186,259,954
Buildings	20,091,208	2,935,290	23,026,498
Improvements other than Buildings	23,021,222	54,334	23,075,556
Machinery and equipment	5,122,271	1,445,711	6,567,982
Total Assets	\$249,252,431	\$95,099,933	\$344,352,364
Liabilities			
Accounts payable and other current liabilities	\$5,332,844	\$2,303,982	\$7,636,826
Accrued interest payable	166,103	108,749	274,852
Non-current liabilities:			
Due within one year	6,439,706	1,523,320	5,209,666
Due in more than one year	100,994,718	55,368,462	159,116,540
Total Liabilities	112,933,371	59,304,513	172,237,884
Net Assets			
Invested in capital assets, net of related debt	112,072,157	19,054,462	131,126,619
Restricted for:			
Capital projects	2,832,016	10,721,258	13,553,274
Debt service	6,824,155	-	6,824,155
Parkland dedication	939,144	-	939,144
Community development	6,261,304	-	6,261,304
Other purposes	835,410	-	835,410
Unrestricted	6,554,873	6,019,700	12,574,573
Total Net Assets	\$136,319,060	\$35,795,420	\$172,114,480

See Notes to Financial Statements

City of Missouri City, Texas
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 4,005,420	\$ -	\$ -	\$ -
Finance	1,727,595	-	-	-
Police	12,359,028	1,851,731	1,029,339	-
Fire	7,123,068	1,006,196	-	-
Public Works	9,804,954	61,365	13,744	24,370,740
Parks and recreation	3,603,491	192,867	619,734	-
Planning	2,886,938	2,484,366	314,403	-
Interest on long-term debt	4,353,598	-	-	-
Total governmental activities	45,864,092	5,596,525	1,977,220	24,370,740
Business-type activities:				
Water and Wastewater Utilities	2,700,460	2,345,138	147,500	2,519,708
Surface Water Utility Fund	3,813,898	7,315,810	-	300
Other	5,177,503	5,237,265	-	-
Total business-type activities	11,691,861	14,898,213	735,558	1,931,950
Total Primary Government	57,555,953	20,494,738	2,712,778	26,302,690
General revenues:				
Property taxes				
Sales taxes				
Franchise fees				
Investment earnings				
Other				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets, beginning				
Net Assets, Ending				

See Notes to Financial Statements.

Net (Expense) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,005,420)	\$ -	\$ (4,005,420)
(1,727,595)	-	(1,727,595)
(9,477,959)	-	(9,477,959)
(6,116,872)	-	(6,116,872)
14,640,895	-	14,640,895
(2,790,890)	-	(2,790,890)
(88,169)	-	(88,169)
(4,353,598)	-	(4,353,598)
(13,919,608)	-	(13,919,608)
-	2,311,886	2,311,886
-	3,502,212	3,502,212
-	59,763	59,763
-	5,873,860	5,873,860
(13,919,608)	5,873,860	(8,045,747)
24,054,499	-	24,054,499
6,249,961	23,170	6,273,131
3,404,612	-	3,404,612
830,936	565,070	1,396,006
98,530	9,020	107,550
460,124	(460,124)	-
35,098,663	137,136	35,235,799
21,179,055	6,010,996	27,190,051
115,140,005	29,784,424	144,924,429
\$ 136,319,060	\$ 35,795,420	\$ 172,114,480

CITY OF MISSOURI CITY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Bond Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,045,654	\$ 921,667	\$ 1,419,005	\$ 1,593,178	\$ 4,979,504
Investments	6,530,361	5,783,242	8,903,919	9,996,827	31,214,349
Receivables	3,918,098	285,349	-	625,434	4,828,881
Due from other funds	281,381	-	1,079	-	282,460
Inventories	6,022	-	-	-	6,022
Total Assets	\$ 11,781,516	\$ 6,990,258	\$ 10,324,003	\$ 12,215,439	\$ 41,311,216
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,706,686	\$ -	\$ 1,858,384	\$ 440,846	\$ 4,005,916
Retainage payable	-	-	719,899	3,141	723,040
Deferred revenue	1,238,614	285,349	-	28,899	1,552,862
Due to others	420,976	-	-	-	420,976
Total Liabilities	3,366,276	285,349	2,578,283	472,886	6,702,794
Fund Balances:					
Nonspendable:					
Inventory	6,022	-	-	-	6,022
Restricted for:					
Law enforcement	-	-	-	655,162	655,162
Facilities construction	-	-	7,745,721	3,886,943	11,632,664
Debt service	-	6,704,909	-	-	6,704,909
Parkland dedication	-	-	-	939,144	939,144
Community Development	-	-	-	6,261,304	6,261,304
Assigned:	585,417				585,417
Unassigned:	7,823,805	-	-	-	7,823,805
Total Fund Balances	8,415,244	6,704,909	7,745,721	11,742,553	34,608,427
Total Liabilities and Fund Balances	\$ 11,781,520	\$ 6,990,258	\$ 10,324,004	\$ 12,215,439	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	203,577,760
Internal service funds are used by management to charge costs of management information services, fleet and building maintenance and asset replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	3,383,545
Long-term liabilities, including bonds, certificates of obligation payable, accrued compensated absences and related accrued interest are not due and payable in the current period and are therefore not reported in the funds.	(106,803,533)
Revenues that do not provide current financial resources are reported as deferred in the funds.	1,552,861
Net Assets of Governmental Activities	136,319,060

See Notes to Financial Statements.

CITY OF MISSOURI CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Debt Service</u>	<u>Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Property Taxes and penalties	\$ 14,135,357	\$ 7,304,992	\$ -	\$ 2,491,496	\$ 23,931,845
Other Taxes	6,249,961	-	-	-	6,249,961
Licenses and permits	1,417,337	-	-	-	1,417,337
Fines and forfeitures	1,202,259	-	-	-	1,202,259
Franchise Fees	3,260,490	-	-	144,121	3,404,611
Intergovernmental revenues	839,815	1,844,435	1,774,734	3,381,771	7,840,755
Other revenue	1,145,511	116,411	476,125	645,629	2,383,676
Charges for Services	618,045	-	-	546,245	1,164,290
Total revenues	<u>28,868,775</u>	<u>9,265,838</u>	<u>2,250,859</u>	<u>7,209,262</u>	<u>47,594,734</u>
Expenditures					
Current:					
General government	3,822,292	-	-	166,561	3,988,853
Finance	1,665,912	-	-	-	1,665,912
Police	11,187,011	-	-	229,452	11,416,463
Fire	6,281,297	-	-	-	6,281,297
Public works	3,832,721	-	-	-	3,832,721
Parks and recreation	2,188,078	-	-	301,467	2,489,545
Planning	1,637,837	-	-	310,492	1,948,329
Capital outlay	65,112	-	18,009,292	3,438,103	21,512,507
Debt service:					
Principal	-	5,796,174	-	775,000	6,571,174
Interest and fiscal charges	-	3,361,690	150	928,766	4,290,606
Total expenditures	<u>30,680,260</u>	<u>9,157,864</u>	<u>18,009,442</u>	<u>6,149,841</u>	<u>63,997,407</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(1,811,485)	107,974	(15,758,583)	1,059,421	(16,402,673)
Other Financing Sources (Uses)					
Transfers from other funds	1,161,004	310,124	-	100,000	1,571,128
Transfers (to) other funds	-	-	-	(1,111,004)	(1,111,004)
Issuance of debt	-	-	-	1,730,000	1,730,000
Total Other Financing Sources (Uses)	<u>1,161,004</u>	<u>310,124</u>	<u>-</u>	<u>718,996</u>	<u>2,190,124</u>
Change in Fund Balance	(650,481)	418,098	(15,758,583)	1,778,417	(14,212,549)
Fund Balances, Beginning	<u>9,065,725</u>	<u>6,286,811</u>	<u>23,504,304</u>	<u>9,964,136</u>	<u>48,820,976</u>
Fund Balances, Ending	<u>\$ 8,415,244</u>	<u>\$ 6,704,909</u>	<u>\$ 7,745,721</u>	<u>\$ 11,742,553</u>	<u>\$ 34,608,427</u>

See Notes to Financial Statements.

City of Missouri City, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total governmental funds.	(14,212,549)
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	32,034,706
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	272,319
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount represents the repayment of long-term debt (\$6,562,323), debt issuance premium of (-\$29,098), and the proceeds of new debt issued (-\$1,730,000).	4,803,225
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This adjustment reflects the net change in interest payable (\$8,433), the change in net pension liability of (-\$456,343), change in compensated absences payable of (-\$100,261), the Net OPEB Obligation accrual (-\$184,384), and amortization of premium (\$41,223).	(691,332)
The net income (loss) of certain activities of internal service funds is reported with governmental activities.	<u>(1,027,314)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 21,179,055</u></u>

See Notes to Financial Statements

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City of Missouri City, Texas
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater Utilities	Surface Water Utility Fund	Other Nonmajor Funds	Total	
Assets					
Current Assets:					
Cash and cash equivalents	\$ 24,594	\$ -	\$ 134,401	\$ 158,995	\$ 106,068
Investments	154,247	-	1,550	155,797	665,554
Other receivables, net of allowance	710,059	-	375,567	1,085,626	218
Inventories	-	-	116,622	116,622	143,797
Restricted cash and cash equivalents	1,410,190	1,592,509	1,392	3,004,091	-
Restricted investments	8,848,608	9,992,617	8,736	18,849,961	-
Due from other funds	-	-	-	-	246,349
Total Current Assets	11,147,698	11,585,126	638,268	23,371,092	1,161,986
Noncurrent Assets:					
Issuance Costs	-	360,080	-	360,080	-
Capital assets:					
Land	531,113	4,210,313	-	4,741,426	-
Right of Way	300	10,700	-	11,000	-
Buildings	3,946,598	-	-	3,946,598	-
Construction in progress	335,196	-	-	335,196	-
Equipment	2,553,864	-	5,898	2,559,762	10,242,341
Infrastructure	18,088,950	45,421,909	-	63,510,859	-
Improvements	126,247	-	-	126,247	-
Less accumulated depreciation	(3,220,759)	(454,219)	(1,769)	(3,676,747)	(7,435,062)
Total Noncurrent Assets	22,361,509	49,548,783	4,129	71,914,421	2,807,279
Total Assets	\$ 33,509,207	\$ 61,133,909	\$ 642,397	\$ 95,285,513	\$ 3,969,265
Liabilities					
Current liabilities:					
Accounts payable and other current liabilities	\$ 219,045	\$ 2,120,626	\$ 83,595	\$ 2,423,266	\$ 182,911
Due to other funds	-	-	175,048	175,048	353,761
Certificates of obligation bonds payable	323,320	1,200,000	-	1,523,320	-
Total Current Liabilities	542,365	3,320,626	258,643	4,121,634	536,672
Noncurrent Liabilities:					
Certificate of obligation bonds payable	8,356,193	44,245,000	-	52,601,193	-
Bond Premium Payable	-	2,767,269	-	2,767,269	-
Accrued compensation absences	-	-	-	-	49,047
Total Noncurrent Liabilities	8,356,193	47,012,269	-	55,368,462	49,047
Total Liabilities	8,898,558	50,332,895	258,643	59,490,096	585,719
Net Assets					
Invested in capital assets, net of related debt	13,280,267	5,774,195	-	19,054,462	2,807,279
Restricted for capital projects	10,721,258	-	-	10,721,258	-
Unrestricted	609,124	5,026,819	383,754	6,019,697	576,267
Total Net Assets	24,610,649	10,801,014	383,754	35,795,417	3,383,546
Total Liabilities and Net Assets	\$ 33,509,207	\$ 61,133,909	\$ 642,397	\$ 95,285,513	\$ 3,969,265

See Notes to Financial Statements.

CITY OF MISSOURI CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater Utilities	Surface Water Utility Fund	Other Nonmajor Funds	Total	
Operating Revenues					
Charges for Services	\$ 2,345,137	\$ 7,315,810	\$ 5,260,435	\$ 14,921,382	\$ 3,938,013
Total Operating Revenues	<u>2,345,137</u>	<u>7,315,810</u>	<u>5,260,435</u>	<u>14,921,382</u>	<u>3,938,013</u>
Operating Expenses					
Personnel	-	-	540,934	540,934	1,081,478
Commodities	234,892	653,490	482,859	1,371,241	791,556
Contractual services	1,635,190	542,736	4,039,206	6,217,125	2,294,867
Other services	4,298	-	113,324	117,622	6,117
Depreciation	453,796	454,219	1,180	909,195	838,075
Total Operating Expenses	<u>2,328,176</u>	<u>1,650,445</u>	<u>5,177,503</u>	<u>9,156,117</u>	<u>5,012,093</u>
Operating Income (Loss)	<u>16,961</u>	<u>5,665,365</u>	<u>82,932</u>	<u>5,765,265</u>	<u>(1,074,080)</u>
Non-Operating Revenues (Expenses)					
Investment Earnings	190,702	372,962	1,406	565,070	19,290
Interest Expense	(372,285)	(2,163,454)	-	(2,535,739)	-
Gain/loss on disposal of capital assets	9,020	-	-	9,020	2,592
Developer contributions and other	735,558	-	-	735,558	-
Insurance reimbursements	-	-	-	-	38,836
Total Non-Operating Revenues	<u>562,995</u>	<u>(1,790,492)</u>	<u>1,406</u>	<u>(1,226,091)</u>	<u>60,718</u>
Income (Loss) Before Contributions and Transfers	<u>579,956</u>	<u>3,874,873</u>	<u>84,338</u>	<u>4,539,174</u>	<u>(1,013,362)</u>
Capital contributions	1,931,650	300	-	1,931,950	(13,950)
Transfers (to) other funds	(310,124)	(150,000)	-	(460,124)	-
Total Contributions and Transfers	<u>1,621,526</u>	<u>(149,700)</u>	<u>-</u>	<u>1,471,826</u>	<u>(13,950)</u>
Change in Net Assets	<u>2,201,482</u>	<u>3,725,173</u>	<u>84,338</u>	<u>6,011,000</u>	<u>(1,027,312)</u>
Net assets, beginning	<u>22,409,167</u>	<u>7,075,841</u>	<u>299,416</u>	<u>29,784,424</u>	<u>4,410,858</u>
Net assets, Ending	<u><u>\$ 24,610,649</u></u>	<u><u>\$ 10,801,014</u></u>	<u><u>\$ 383,754</u></u>	<u><u>\$ 35,795,424</u></u>	<u><u>\$ 3,383,546</u></u>

See Notes to Financial Statements.

City of Missouri City, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater Utilities	Surface Water Utility Fund	Other	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	2,765,803	7,315,810	5,126,016	15,207,629	3,938,012
Disbursed for personnel services	-	-	(543,942)	(543,942)	(1,072,726)
Disbursed for good and services to suppliers	(1,565,456)	(2,950,275)	(4,506,287)	(9,022,018)	(3,025,465)
Net Cash Provided (Used) by Operating Activities	<u>1,200,347</u>	<u>4,365,535</u>	<u>75,787</u>	<u>5,641,670</u>	<u>(160,179)</u>
Cash Flows From Noncapital Financing Activities					
Transfer (to) from other funds	(508,938)	(150,000)	-	(658,938)	-
Net Cash Provided by Noncapital Financial Activities	<u>(508,938)</u>	<u>(150,000)</u>	<u>-</u>	<u>(460,124)</u>	<u>-</u>
Cash Flows from Capital & Related Financing Activities					
Proceeds from disposal of assets	-	-	-	-	2,592
Insurance Reimbursements	-	-	-	-	38,836
Interest paid (received) on capital debt	(381,550)	(2,043,347)	-	(2,424,897)	-
Acquisition and construction of capital assets	(2,155,984)	(11,766,903)	-	(13,922,887)	(239,674)
Capital contributions	1,780,616	-	-	1,780,616	(13,950)
Principal (paid) received on capital debt	(307,676)	(1,150,000)	-	(1,457,676)	-
Debt Issuance Fees	-	(115,303)	-	(115,303)	-
Advances from other funds	-	-	-	-	(218)
Net Cash (Used) by Capital & Related Financing Activities	<u>(1,064,594)</u>	<u>(15,075,553)</u>	<u>-</u>	<u>(16,140,147)</u>	<u>(212,414)</u>
Cash Flows from Investing Activities					
Interest Received	190,702	372,962	1,406	565,070	19,290
Purchase of investments	(798,608)	7,058,565	(10,286)	6,249,670	203,472
Net Cash Provided by Investing Activities	<u>(607,906)</u>	<u>7,431,527</u>	<u>(8,880)</u>	<u>6,814,740</u>	<u>222,762</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(981,091)</u>	<u>(3,428,491)</u>	<u>66,907</u>	<u>(4,143,861)</u>	<u>(149,831)</u>
Cash and cash equivalents, beginning	<u>2,415,875</u>	<u>5,021,000</u>	<u>68,886</u>	<u>7,505,761</u>	<u>255,899</u>
Cash and Cash Equivalents, Ending	<u>1,434,784</u>	<u>1,592,509</u>	<u>135,793</u>	<u>3,361,900</u>	<u>106,068</u>

See Notes to Financial Statements.

City of Missouri City, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater Utilities	Surface Water Utility Fund	Other	Total	
Reconciliation of Operating Income (Loss) to					
Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 912,575	\$ 5,665,365	\$ 82,940	\$ 6,660,881	\$ (1,074,079)
Adjustments to reconcile operating income to net cash used by operating activities:					
Depreciation	453,796	454,219	1,180	909,195	838,075
(Increase) decrease in accounts receivable	(217,044)	-	(134,426)	(351,470)	-
(Increase) in inventories	-	-	(18,695)	(18,695)	(29,741)
Increase (Decrease) in accounts payable	51,020	(1,754,049)	29,132	(1,673,897)	42,884
Increase (decrease) in due to other funds	-	-	115,656	115,656	58,735
(Decrease) increase in compensated absences payable	-	-	-	-	3,947
Total adjustments	287,772	(1,299,830)	(7,153)	(1,019,211)	913,900
Net Cash Provided by Operating Activities	<u>\$ 1,200,347</u>	<u>\$ 4,365,535</u>	<u>\$ 75,787</u>	<u>\$ 5,641,670</u>	<u>\$ (160,179)</u>
Breakdown of Restricted and Unrestricted					
Cash and Cash Equivalents:					
Restricted	1,410,190	1,592,509	1,392	3,004,091	-
Unrestricted	24,594	-	134,401	158,995	106,068
Total	<u>\$ 1,434,784</u>	<u>\$ 1,592,509</u>	<u>\$ 135,793</u>	<u>\$ 3,163,086</u>	<u>\$ 106,068</u>
Noncash Investing, Capital and Financing Activities:					
Capital asset contributions from governmental funds	<u>1,780,616</u>	<u>-</u>	<u>-</u>	<u>1,780,616</u>	<u>-</u>

See Notes to Financial Statements.

CITY OF MISSOURI CITY, TEXAS

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June 30, 2011

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**City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Missouri City, Texas, was incorporated March 12, 1956, and adopted the Home Rule Charter November 23, 1974, pursuant to the laws of the State of Texas. The City operates under a "Council-Manager" form of government and provides services authorized by its charter. Presently, these services include police and fire protection, drainage, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services.

The financial statements of the City of Missouri City have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

A. Reporting Entity

The City is an independent political subdivision of the State of Texas, governed by an elected mayor and six-member council, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Missouri City Development Authority and Tax Incremental Reinvestment Zones 1, 2 and 3, and Public Improvement Districts 2 and 4 have been included in the City's financial reporting. These legally separate entities are blended component units and are included as Special Revenue Funds of the City as indicated by GASB 14. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. The City maintains all accounting records for the blended component units.

Separate financial statements are not issued for the above-mentioned blended component units. The basic financial statements for the City of Missouri City include all activities, organizations and functions for which the City is financially accountable. The criteria considered include (1) whether the organization is part of the City's legal entity or (2) whether the City appoints the voting majority of the organization's governing body and either (a) the City is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. In addition, an organization may be financially dependent on the City and also included in its reporting entity. Those criteria are based upon and are consistent with those set forth in the Codification of Governmental Accounting Standards, Section 2100, Defining the Financial Reporting Entity. Based on these criteria, the various funds shown in the Table of Contents are included in the report, which include the blended component units noted above.

The blended component units include seven entities that are so closely related to the City that they are, in effect, the same as the City. Included in this category are the Missouri City Development Authority, Tax Incremental Reinvestment Zones (TIRZ) 1, 2 and 3, and Public Improvement Districts (PID) 2 and 4. These entities are reported as Special Revenue Funds. The

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Missouri City Recreation and Leisure Local Government Corporation (LGC) is a proprietary fund that also is a blended component unit that operates from user fees. Specifically, all the members of Missouri City's governing body (City Council) serve as board members of the Development Authority Board, both Public Improvement Districts and the Missouri City Recreation and Leisure LGC. The City Council appoints the majority of the directors of the Tax Incremental Reinvestment Zones. The City Council appoints six of the eight board members for TIRZ 1, and seven of the eleven board members for TIRZ 3. Both boards are substantively the same as the City. Contributions to the TIRZs, in the form of incremental tax revenues, come from the City and Fort Bend County, whom can each appoint one board member. The sole purpose of TIRZ 1, 2 and 3 is to finance capital assets that will be owned by the City.

Fort Bend Independent School District elected not to join the TIRZs. The boards of the zones/districts make recommendations to City Council regarding the administration of the zones/districts. The boards are not authorized to issue bonds, impose taxes or assess fees. The City approves the tax rate, and assumes obligation to finance deficits in the zones on a short-term basis until incremental improvements are made and the City Manager is authorized to hire consultants for the zones. The above-mentioned component units' services (providing infrastructure that will be owned by the City) almost exclusively benefit the City in that the development of these areas (economically depressed areas) increases the tax base, resulting in additional revenue to the City.

The City developed a regional wastewater treatment master plan to achieve economies of scale by requiring utility districts and new developments to share wastewater treatment plants. The first City-operated wastewater treatment plant opened in December 1999. Severn Trent Environmental Services, Inc., was initially contracted to operate the plant and Quail Valley Municipal Utility District has taken over the contract to operate the plant. The construction of the plant (two Capital Project Funds) and its operation (a Special Revenue Fund) are included in the City's reporting entity since the City establishes the budget and sets the rates to be paid by the MUD districts.

Presently, the City has nineteen (19) active municipal utility districts providing water and sewer services within the City. These districts are not considered a part of the City's legal entity since they are not fiscally dependent on the City, have taxing powers and set their own budgets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, license, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major Governmental Funds:

General Fund

The General Fund is the government's primary operating fund. The General Fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues of the general fund are property taxes, sales and use taxes, franchise fees, permit fees, and fines and forfeitures. Expenditures are for general government, finance, public safety, public works, park maintenance and recreation, planning and zoning, and engineering.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The primary source of revenue for debt service is property taxes.

Bond Fund

The Bond Fund is used to account for the proceeds from the sale of general obligation bonds and certificates of obligation and expenditures of these proceeds for the acquisition of capital assets as designated in each bond issue.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The government reports the following major Proprietary Funds:

Water and Wastewater Utilities Fund

The Water and Wastewater Utility Fund accounts for the provision of water and wastewater services to the citizens of the City of Missouri City who are not serviced by one of the nineteen (19) municipal utility districts (MUDs). The two main areas included at this time in the Water and Wastewater Utilities Fund are Northeast Oyster Creek (NEOC) Service area and the Mustang Bayou (MB) Service area for both water and wastewater treatment, and wastewater treatment for Hightower High School. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing, debt service, billing and collection.

Surface Water Utility Fund

The Surface Water Utility Fund is used to account for the construction and operation of a surface water treatment plant to service the City (including twenty-two municipal utility districts and other special water districts). The surface water treatment plant is an integral part of the area's Groundwater Reduction Plan. A plan entered into by these districts legally obligates each participant for the repayment of the construction debt.

Additionally, the government reports Internal Service Funds to account for fleet management services, information technology services, building maintenance services, fleet asset replacement and information technology asset replacement provided to other City departments and functions of the government on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule relate to charges between the City's enterprise fund functions and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the City's internal services funds are charges for sales and services. Operating expenses for the internal service funds include the costs of sales and services and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in a demand account, money market mutual fund, petty cash funds, Texas Local Government Investment Pool (TEXPOOL), the Local Government Investment Cooperative (LOGIC) and short-term investments with maturities of three months or less. Both TEXPOOL and LOGIC are external investment pools established by interlocal contracts under state law. Investments and securities are booked at cost and amortized monthly to reach par at maturity. Investments are generally held to maturity.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

For the purpose of the Statement of Cash Flows, the City considers all investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various bearing securities and disclosed as part of the City's investments. The City pools excess cash of the various individual funds to purchase investments. These pooled investments are reported in the combined balance sheet as investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund monthly based on its respective share of pooled investments.

For the purpose of the Statement of Cash Flows, the City considers all investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

D. Receivables

The City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue were made for uncollectible accounts as needed. At June 30, 2012, an allowance of \$858,106 was provided for possible adjustments for uncollectible accounts.

E. Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are, for the most part, eliminated from the government-wide Statement of Net Assets and are classified as "due from other funds" or "due to other funds" in the fund financial statements.

F. Inventory

Inventory, which consists of gasoline and parts for use in the City's vehicles, is stated at cost (first-in, first-out method). Expenditures are recognized as the fuel and parts are used.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

the \$5,000 limit; all infrastructure is capitalized regardless of cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the City of Missouri City's enterprise funds during the current fiscal year was \$2,415,632, of which none has been capitalized.

Land is not depreciated. Property, plant, equipment and infrastructure assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Years
Building & Building Improvements	15-50
Land improvements	10-20
Infrastructure	10-65
Machinery & Equipment	4-25

H. Compensated Absences

Compensated absences, which include unpaid vacation and other employee benefit amounts, are accumulated during employment. Amounts accumulated are paid to employees upon separation from City service. At June 30, 2012, all amounts accrued for compensated absences have been included as liabilities in the Government-wide Statement of Net Assets and as designated fund balances in the fund that pays the unpaid vacation and other employee benefits. Employees earn vacation leave at the rate of ten days per year from one to five years and up to sixteen days per year for service of fifteen years or more. Police and Fire employees, as defined under Section 142.010 of the Texas Local Government Code, receive fifteen days vacation after one full year of employment and sixteen days vacation for fifteen years and over.

The maximum accrual an employee may maintain is two times the annual rate. City employees receive eleven paid holidays per year. Employees may be paid or may elect to receive compensatory time off for the holiday. Overtime is earned at one and one-half times the regular rate of pay. Employees may be paid or receive compensatory time. The maximum accrual for holiday and overtime is 120 hours.

I. Long-Term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

premiums or discounts and bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources at par. Premiums or discounts associated with the debt are reported as other financing uses.

J. Fund Balance

As of these financial statements, the City has adopted GASB Statement No.54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or Federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by ordinances passed by City Council, the City's highest level of decision making authority. This includes the budget reserve account. Commitments may be modified or rescinded only through ordinances approved by City Council.

Assigned – Amounts that are intended to be used for a specific purposes, but do not meet the definition of restricted or committed fund balance. Under the City's policy, amounts can be assigned by the City Manager.

Unassigned – All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 22). As discussed in Note 1, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by Council or the assignment has been changed by the City Manager. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

As discussed in Note 14, as of June 30, 2012, the City has \$6,444,790 of encumbrances of operating funds in major and non-major funds that rolled over into the next fiscal year.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

K. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates

L. Restricted Resources

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. The proceeds from debt are restricted for use on capital projects.

N. Comparative Data and Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental funds as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, certification of obligation payable, and post employment benefits, are not due and payable in the current period and are therefore not reported in the funds.”

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The details of this \$106,803,533 difference are as follows:

Total Governmental Activities Long Term Liabilities:	\$ 107,385,376
Less deferred amounts for issuance costs	(747,950)
Plus accrued interest	<u>166,107</u>
Net adjustments to reduce fund balance - total government funds to arrive at net assets - governmental activities	<u><u>\$ 106,803,533</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as “depreciation expense.” The details of this \$32,034,705 difference are as follows:

Capital Outlay	\$ 38,145,981
Depreciation Expense (less internal service funds)	<u>(6,111,276)</u>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>\$ 32,034,705</u></u>

NOTE 3 - DEPOSITS AND INVESTMENTS

The City's cash and investments are classified as cash and cash equivalents and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, short-term investments in external public funds investment pool accounts (LOGIC) and (TEXPOOL), and other investments, which have maturities at purchase date of less than three months. The investments, which have maturities at purchase date of greater than three months, consist mainly of commercial paper and U.S. government obligations. For better management of cash, the City pools the cash, based on the City's needs, into deposits in the bank, in short-term investments with LOGIC and TEXPOOL, or in longer term investments in commercial paper or U.S. Government securities. However, each fund's balance of cash and investments is maintained in the books of the City.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The City's deposits are maintained under the provisions of a depository contract as a cash concentration account for use by all City funds. All receipts of City funds are deposited into a money market mutual fund account, and the depository bank transfers funds to a separate demand deposit checking account as checks are posted. The City bids out excess funds as necessary and awards the bid to the institution or agency offering the highest interest rate. Brokers/dealers must complete a questionnaire, submit financial statements, and be approved by City Council before being accepted to bid on investments of excess City funds.

At year-end, the City had cash on hand, bank deposits, deposits with LOGIC and TEXPOOL, and investments with maturities of three months or less at date of purchase as follows:

Fund	Cash on Hand	Bank Deposits	Cash Equivalent Investments	Total
General	\$ 4,920	\$ 452,359	\$ 592,475	\$ 1,045,654
Special Revenue	-	475,181	622,367	1,098,410
Debt Service		398,721	522,223	921,667
Capital Projects		827,916	1,084,359	1,913,775
Internal Service		45,886	60,099	106,068
Enterprise	1,550	1,369,049	1,793,106	3,164,636
	<u>\$ 6,470</u>	<u>\$ 3,569,113</u>	<u>\$ 4,674,628</u>	<u>\$ 8,250,211</u>

Custodial Credit Risk - Deposits

For deposits, this is the risk that, in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 100 percent of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the City's deposits is required to be held in the City's name by the trust department of a bank other than the pledging bank (the City's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances.

Deposits at year-end are representative of the types of deposits maintained by the City during the year. The City's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the City's agent in the City's name.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Investments

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act (Chapter 2256 Texas Government Code). The investments of the City are in compliance with the Council's investment policies. It is the City's policy to restrict its investments to direct obligations of the U.S. Government, commercial paper, fully collateralized certificates of deposit and other interest-bearing time and demand deposits, and other instruments and investments in public funds investment pools such as the Local Government Investment Cooperative (LOGIC) and Texas Local Government Investment Pool (TEXPOOL).

Under provisions of state and local statutes, the City's investment policies, and provisions of the City's depository contracts with the area financial institutions, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U.S., its agencies, and instrumentalities.
2. Direct obligations of the State of Texas or its agencies.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States.
4. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their agencies and instrumentalities.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to the investment quality by a nationally recognized investment firm and having received a rating of not less than A or its equivalent.
6. Bonds issued, assumed, or guaranteed by the State of Israel.
7. Certificates of Deposit issued by state and national banks or a savings bank, state or federal credit union domiciled in this state that are:
 - guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or the National Credit Union or its successor;
 - secured by obligations that are described in 1-6 above, which are intended to include all direct federal agency or instrumentality issued mortgage backed securities that have a fair value of not less than the principal amount of the certificates or in any other manner and amount provided by law for deposits of the investing entities.
8. Fully collateralized repurchase agreements having a defined termination date, secured by obligations of the United States, its agencies or instrumentalities, pledged with a third party selected or approved by the political entity, and placed through a primary government securities dealer, as defined by the Federal Reserve, or through a financial institution domiciled in the State of Texas.
9. Prime domestic banker's acceptances, defined as a banker's acceptance with a remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or equivalent by at least one nationally recognized credit rating agency.
10. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or State bank.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

11. SEC-registered no-load money market mutual fund (MMMF), with a dollar weighted average portfolio maturity of 90 days or less, includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share.
12. SEC-registered, no-load money market mutual funds (MMMF) that have an average weighted maturity of less than two years, invests exclusively in obligations described above and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of no less than AAA or its equivalent.
13. Authorized guaranteed investment contracts that have a defined termination date, are secured by obligations described in 1-6 above, are pledged to the City and deposited with the City or with a third party selected and approved by the City.
14. Authorized government investment pools that invest solely in obligations of any of the above investments provided that the pools are rated no lower than AAA or AAA-m or an equivalent by at least one nationally recognized rating service.

All significant legal and contractual provisions for investments were complied with during the year.

As of June 30, 2012, the City had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Percentage of Portfolio</u>
U.S. Government Agency Notes:			
Ginnie Mae Agency Notes	\$ 4,769,495	34	9%
Federal Home Loan Bank Agency Notes	11,774,696	134	22%
Fannie Mae Agency Notes	<u>31,774,424</u>	250	60%
Total U.S. Government Agency Notes	48,318,614		
TexPool	62,918	46	0%
LOGIC	<u>4,611,429</u>	42	9%
Total Investments per Balance Sheet	<u><u>\$ 52,992,962</u></u>		

The U.S. government securities were purchased through a broker/dealer and held for safekeeping by the City's depository bank (independent agent), registered for the account of Missouri City. The City generally holds all investments to maturity date. The City had no derivative investment products during the current year. The City did not have any reverse repurchase or repurchase agreement transactions. Fair values of investments are based on quoted market prices. The investments are reported by the City at fair values determined by quoted market prices.

The money market mutual fund is an open-ended mutual fund, which invests solely in U.S. Treasury securities. The mutual fund's assets consist only of securities scheduled to mature within 13 months or less from date of acquisition. The fund maintains a dollar-weighted average portfolio maturity of 90 days or less. In addition, the fund seeks to maintain a net asset value of

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

\$1 per share. The City considers the money market mutual fund to have a one-day weighted average maturity due to the fact the position can be redeemed each day at its discretion.

The Local Government Investment Cooperative (LOGIC) and the Texas Local Government Investment Pool (TEXPOOL) amounts are not evidenced by securities that exist in physical or book entry form and, accordingly, are not categorized by risk. However, the nature of these funds requires that they be used to purchase investments authorized by the Public Funds Investment Act. The primary objective of these investment pools is to provide a safe environment for the placement of public funds in short-term, fully collateralized investments. The City considers the holdings in LOGIC and TEXPOOL to be redeemable within one day although the weighted average maturity days are 54 and 45 respectively. Weighted average maturity is determined and defined by the nature of the deposits in the pools, not by the account holder.

The State of Texas exercises oversight responsibility over TEXPOOL in accordance with state laws and the Public Funds Investment Act. Texpool is an external pool and operates in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Net assets are reported using amortized cost rather than fair value in computing share price. In accordance with TEXPOOL management policies, the net asset value will always be between .9965 and 1.0035. Accordingly, the fair value of the City's position in the pool is the same as the value of the shares in the pool.

If at any time, pursuant to its daily calculation, the deviation between the amortized cost and market-determined values per share of the Portfolio's assets exceeds \$0.0030, the Co-Administrators shall promptly notify the Board. In the event that the deviation from amortized cost per share exceeds \$0.0040, the Board shall promptly hold a meeting and the Co-Administrators shall take action as directed by the Board. However, absent contrary instructions, the Co-Administrators shall promptly sell portfolio holdings, or will take such other action as the Board, or their delegates, may direct to eliminate or reduce to the extent reasonably practicable any dilution or unfair results to existing Unitholders.

LOGIC is a local government investment fund that operates as a money market fund under the Public Funds Investment Act, which requires that it maintain an AAA, AAA-m or equivalent rating from a nationally recognized rating service. LOGIC is rated AAAM and operates in full compliance with the PFIA and rating agency requirements. As a local government investment fund, LOGIC is exempted from SEC registration and the requirements of Rule 2a-7 pertaining to registered money market funds; however, consistent with Rule 2a-7, it seeks to maintain a stable net asset value of \$1.00 per unit. Pursuant to an action by the Board of Directors, LOGIC began reporting its investments using the fair value method, rather than at their amortized cost, on August 31, 2010. Currently, fixed income securities (other than short term investments maturing in less than 61 days) are valued each day based on readily available market quotations received from independent or affiliated pricing services or third party broker dealers. The net asset value per unit of LOGIC is calculated each business day by adding the fair value of LOGIC's securities and other assets, deducting accrued expenses and arrearages, and dividing by the number of units outstanding. As previously noted, it is the intention of LOGIC to maintain a net asset value of \$1.00.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than two years to meet cash requirements for ongoing operations.

Credit Risk - Investments

In accordance with its investment policy, the City minimized credit risk losses due to default of a security issuer or backer, by limiting investments to the safest types of securities. All of the City's U.S. Agency investments are insured, registered, or the City's agent holds the securities in the City's name; therefore the City is not exposed to custodial credit risk. As of June 30, 2012, TEXPOOL and LOGIC investments are both rated AAAM by Standard and Poors.

Concentration of Credit Risk

The City's policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments. However, at June 30, 2011, the City held six securities totaling \$43,985,845, each of which had an investment balance greater than five percent of total investments at that time.

NOTE 4 - PROPERTY TAXES

Property taxes for each year are levied on approximately August 1 and are due upon receipt of the City's tax bill and become delinquent on February 1 of the following year. On January 1 of each year, a tax lien is attached to the property to secure the payment of all taxes, penalties, and interest. The lien exists in the favor of the State and each taxing unit. Appraised values are established by the Fort Bend Central Appraisal District (CAD), through procedures established by the Texas Legislature. The County bills and collects property taxes on behalf of the City, and remits payment to the City on a frequent basis. The City bills its tax levies as soon as possible after certification of taxable values by the CAD, which is approximately August 1 as noted above. Additional tax bills are sent in December, February, April, and July (which includes a surcharge for legal costs associated with collection). In August, delinquent taxes are turned over to the City's delinquent tax attorneys for final collection or other disposition.

The City is permitted, by Article XI, Section 5, of the State of Texas Constitution and the City Charter, to levy property taxes up to \$2.50 per \$100 of assessed valuation for general governmental services. Within the \$2.50 maximum levy, there is no legal limit upon the amount of property taxes, which can be levied for debt service. The property tax rates to finance general governmental services and debt service for the 2011-12 fiscal year were \$.34773 and \$.18067 respectively, per \$100 of assessed valuation. The 2011 assessed value and total tax levy as adjusted through June 30, 2012, were \$4,255,208,757 and \$22,141,154, respectively. The allowance for uncollectible tax accounts as of June 30, 2012, is estimated at \$36,020.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - RECEIVABLES

Receivables as of year-end for the government's individual major and non-major funds, and internal service funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Non-major Funds	Intrnal Service	Total Governmental Funds	Water and Wastewater Utilities	Other Enterprise Funds	Total Enterprise Funds	Total
Receivables									
Property Taxes	\$ 603,255	\$ 297,238	\$ -	\$ -	\$ 900,493	\$ -	\$ -	\$ -	\$ 900,493
Municipal court	1,433,467				1,433,467				1,433,467
Other	725,204		66,795	218	792,217		368,980	368,980	1,161,196
Due from other governments	1,991,563		558,640		2,550,202	710,059	-	710,059	3,260,261
Gross receivables	4,753,489	297,238	625,434	218	5,676,379	710,059	368,980	1,079,039	6,755,418
Less: allowance for uncollectable	(835,390)	(11,890)		-	(847,280)		(3,947)	(3,947)	(851,227)
Net Total Receivables	<u>\$ 3,918,098</u>	<u>\$ 285,349</u>	<u>\$ 625,434</u>	<u>\$ 218</u>	<u>\$ 4,829,099</u>	<u>\$ 710,059</u>	<u>\$ 365,033</u>	<u>\$ 1,075,092</u>	<u>\$ 5,904,191</u>

NOTE 6 - DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Debt Service	Non-Major Governmental Funds	Total
Property taxes receivable	\$ 579,125	\$ 285,349	\$ -	\$ 864,473
Municipal court	659,330	-	28,899	688,228
Court technology fees	159	-	-	159
	<u>\$ 1,238,614</u>	<u>\$ 285,349</u>	<u>\$ 28,899</u>	<u>\$ 1,552,861</u>

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance July 1, 2011	Increases	(Decreases)	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated				
Land	11,787,967	-	-	11,787,967
Intangibles - Right of Way	2,711,421	-	-	2,711,421
Construction in progress	18,954,598	15,923,667	(15,455,883)	19,422,382
Total capital assets, not being depreciated	33,453,987	15,923,667	(15,455,883)	33,921,771
Capital assets being depreciated:				
Buildings and Building Improvements	25,483,057	362,667	-	25,845,724
Improvements other than buildings	19,806,146	8,449,381	-	28,255,526
Infrastructure	157,014,807	28,351,590	-	185,366,397
Machinery and equipment	13,788,627	781,919	(256,515)	14,314,031
Total capital assets being depreciated	216,092,637	37,945,557	(256,515)	253,781,679
Less accumulated depreciation for:				
Buildings and Building Improvements	(5,205,621)	(548,896)	-	(5,754,517)
Improvements other than buildings	(4,083,141)	(1,151,165)	-	(5,234,306)
Infrastructure	(57,108,954)	(4,028,876)	-	(61,137,831)
Machinery and equipment	(8,200,172)	(1,220,413)	228,830	(9,191,756)
Total accumulated depreciation	(74,597,888)	(6,949,351)	228,830	(81,318,409)
Total capital assets being depreciated, net	141,494,749	30,996,206	(27,685)	172,463,269
Governmental activities capital assets, net	174,948,736	46,919,873	(15,483,568)	206,385,040
Business-type activities:				
Capital assets, not being depreciated				
Land	2,138,225	2,603,201	-	4,741,426
Intangibles - Right of Way	10,700	300	-	11,000
Construction in progress	43,004,798	328,685	(42,998,286)	335,197
Total capital assets, not being depreciated	45,153,723	2,932,186	(42,998,286)	5,087,623
Business-type assets, being depreciated				
Buildings and Building Improvements	3,946,598	-	-	3,946,598
Improvements other than buildings	126,247	-	-	126,247
Infrastructure	9,521,573	53,989,288	-	63,510,861
Machinery and equipment	2,559,763	-	-	2,559,763
Total capital assets being depreciated	16,154,181	53,989,288	-	70,143,469
Less accumulated depreciation for:				
Buildings and Building Improvements	(932,364)	(78,944)	-	(1,011,308)
Improvements other than buildings	(65,576)	(6,338)	-	(71,914)
Infrastructure	(802,308)	(677,166)	-	(1,479,474)
Machinery and equipment	(967,305)	(146,747)	-	(1,114,052)
Total accumulated depreciation	(2,767,554)	(909,194)	-	(3,676,748)
Total capital assets being depreciated, net	13,386,627	53,080,094	-	66,466,721
Business Type activities capital assets, net	58,540,350	56,012,279	(42,998,286)	71,554,344

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Governmental activities:

General Government	\$ 378,683
Finance	3,478
Police	443,589
Fire	452,402
Public Works	4,653,032
Parks and Recreation	981,206
Planning	36,960
Total depreciation expense - governmental activities	<u><u>6,949,351</u></u>

Business Type Activities:

Water and wastewater	453,796
Surface Water	454,219
Missouri City Recreation & Leisure LG	<u>1,180</u>
Total depreciation expense - business type activities	<u><u>909,194</u></u>

Total depreciation expense - all activities	<u><u>\$ 7,858,545</u></u>
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City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Constructions in progress for the various projects and remaining commitments under these construction contracts as of June 30, 2012, are:

	Total in Progress	Remaining Commitment
Governmental Activities		
El Dorado Bridge Replacement	\$ 242,433	\$ 1,693,255
Cangelosi Watershed Improvements	60,365	88,513
Mustang Bayou Watershed	683,961	405
Lower Oyster Creek	193,541	-
ERP System	1,009,106	695,686
Recreation & Tennis Center	5,454,742	314,015
City Centre at Quail Valley & Pro Shop	8,726,841	1,134,710
Fire Station #5	56,955	164,656
Animal Shelter	58,630	621,253
Thompson Ferry Realignment	58,398	20,847
Hurricane Lane Extension	323,437	148,161
Vicksburg Extension	202,896	8,246
Intelligent Transportation System	893,594	35,760
Sienna Plantation Management District	1,241,287	-
Remaining Commitments Less Than \$50,000	216,196	502,398
	<u>\$ 19,422,382</u>	<u>\$ 5,427,905</u>
 Business-type Activities		
Mustang Bayou Water Plant 0.9 MGD	182,685	205,884
Sienna N Conversion to Steepbank Flatbank	146,000	88,500
Steepbank Flatbank Wastewater Treatment Plant 6 MGD	6,512	-
	<u>\$ 335,197</u>	<u>\$ 294,384</u>

NOTE 8 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

The City issues general obligation bonds and certificates of obligation for the purpose of fulfilling its capital improvements programs. General obligation bonds and certificates of obligation are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues. Generally these programs are classified in several broad areas: public safety, drainage, transportation, parks, facilities and utility construction.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The following is a summary of general obligation bonds, certificates of obligation and tax notes outstanding as of June 30, 2012:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Governmental Activities:				
General Obligation Bonds				
Series 2004 permanent improvement bonds	\$7,970,000	2024	4.3 - 5.0	\$5,500,000
Series 2005 permanent improvement bonds	5,440,000	2026	3.7 - 5.0	4,275,000
Series 2007 permanent improvement bonds	9,910,000	2027	3.75 - 4.25	8,160,000
Series 2008 permanent improvement bonds	5,700,000	2028	4.0 - 4.5	4,960,000
Series 2008A permanent improvement bonds	21,085,000	2028	2.25 - 5.0	18,180,000
Series 2009 refunding bonds	7,570,000	2016	2.393-3.58	3,720,000
Series 2010 permanent improvement bonds	9,500,000	2029	3.0 - 4.125	8,720,000
Series 2010 refunding bonds	4,755,000	2018	4.1 - 4.25	3,790,000
Series 2010A permanent improvement bonds	9,405,000	2038	2.00 - 4.00	8,930,000
Total General Obligation Bonds				<u>\$66,235,000</u>
Certificates of Obligation				
Series 2004 certificates of obligation	\$1,500,000	2024	4.3 - 5.0	1,045,000
Series 2005 certificates of obligation	3,600,000	2026	3.25 - 5.25	3,313,787
Series 2008 certificates of obligation	2,395,000	2028	3.5 - 4.5	2,085,000
Series 2008A certificates of obligation	6,044,440	2029	2.75 - 5.0	5,746,699
Series 2009A certificates of obligation	5,630,000	2038	4.7 - 5.125	5,590,000
Series 2009C certificates of obligation	5,260,000	2028	3.0 - 4.125	4,425,000
Series 2010A certificates of obligation	6,235,000	2038	2.00 - 4.00	6,040,000
Series 2010B certificates of obligation	1,660,000	2021	.964 - 3.876	1,395,000
Total Certificates of Obligation				<u>29,640,486</u>
Increment Contract Revenue Bonds				
Series 2006 increment revenue bonds	6,540,000	2027	4.0 - 4.625	5,365,000
Total Increment Contract Revenue Bonds				<u>5,365,000</u>
Tax Notes				
Series 2011 tax notes	1,730,000	2018	1.65	1,575,000
Total Tax Notes				<u>1,575,000</u>
Total Governmental Activities				<u>\$102,815,486</u>
Business-type Activities:				
Certificates of Obligation				
Series 2005 certificates of obligation	\$735,000	2026	3.25 - 4.25	626,214
Series 2008A certificates of obligation	8,470,560	2029	2.75 - 5.0	8,053,300
Series 2009B certificates of obligation	46,595,000	2035	2.0 - 5.0	45,445,000
Total Business-type Activities				<u>\$54,124,514</u>

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	4,605,000	2,616,631
2014	4,740,000	2,464,881
2015	4,195,000	2,308,269
2016	4,335,000	2,160,349
2017 - 2021	19,260,000	8,561,014
2022 - 2026	20,100,000	4,569,720
2027 - 2031	9,000,000	764,765
	<u>\$66,235,000</u>	<u>\$23,445,629</u>

The annual requirements to amortize all certificates of obligation outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$1,111,680	\$1,134,465	\$1,523,320	\$2,340,888
2014	1,168,118	1,101,223	1,561,882	2,309,613
2015	1,127,474	1,065,763	1,627,526	2,254,043
2016	1,183,912	1,030,588	1,696,088	2,194,985
2017 - 2021	6,841,133	4,534,645	9,618,867	10,003,665
2022 - 2026	8,361,655	3,192,782	12,168,345	7,799,256
2027 - 2031	5,551,515	1,621,084	14,193,485	5,007,306
2032 - 2036	3,040,000	737,027	11,735,000	1,502,250
2037 - 2038	1,255,000	88,924	0	0
	<u>\$29,640,486</u>	<u>\$14,506,501</u>	<u>\$54,124,514</u>	<u>\$33,412,006</u>

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize all increment revenue bonds outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$265,000	\$245,580
2014	275,000	235,380
2015	285,000	224,780
2016	295,000	213,505
2017 - 2021	1,685,000	877,021
2022 - 2026	2,085,000	491,806
2027 - 2031	475,000	64,981
	<u>\$5,365,000</u>	<u>\$2,353,054</u>

The annual requirements to amortize all tax notes outstanding as of June 30, 2012, are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$250,000	\$25,988
2014	255,000	21,863
2015	260,000	17,655
2016	265,000	13,365
2017 - 2021	545,000	13,530
	<u>\$1,575,000</u>	<u>\$92,400</u>

There is \$6,704,909 available in the Debt Service Fund to service the above obligations.

The principal and interest on the general obligation bonds, certificates of obligation, increment revenue bonds, and tax notes are payable solely from property taxes levied on taxable property within the City of Missouri City, Texas. The City is in compliance with all significant limitations and restrictions contained in the various bond ordinances.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, is as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 71,425,000		\$ (5,190,000)	\$ 66,235,000	\$ 4,605,000
Certificates of obligation	30,602,810		(962,324)	29,640,486	1,111,680
Increment Revenue Bonds	5,620,000		(255,000)	5,365,000	265,000
Tax Notes		1,730,000	(155,000)	1,575,000	250,000
Plus:					
Issuance premiums	919,870	29,098	(41,223)	907,745	
Total bonds payable	108,567,680	1,759,098	(6,603,547)	103,723,231	6,231,680
Compensated absences	1,190,789	1,176,874	(1,076,613)	1,291,050	208,026
Net Pension Obligation	1,275,025	456,343		1,731,368	
OPEB Obligation	504,391	184,384		688,775	
Total Governmental Activities	<u>111,537,885</u>	<u>3,576,699</u>	<u>(7,680,160)</u>	<u>107,434,424</u>	<u>6,439,706</u>
Business-type Activities:					
Certificates of obligation	55,582,190		(1,457,677)	54,124,513	1,523,320
Plus:					
Issuance premiums	2,882,572		(115,303)	2,767,269	
Total Business-type Activities	<u>\$ 58,464,762</u>	<u>\$</u>	<u>\$ (1,572,980)</u>	<u>\$ 56,891,782</u>	<u>\$ 1,523,320</u>

Subsequent Issuances

On November 1, 2012, the City issued \$1,400,000, in General Obligation Bonds, Series 2012. The proceeds from this issue will be used for certain drainage improvements. The estimated interest rate on the notes will be 3.75% and the maturity date will be 2015.

Federal Tax Compliance (Arbitrage) for Long-term Debt

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the City's long-term debt obligations must meet certain minimum criteria to be considered and continue to be considered "tax exempt." This "tax exempt" status means that interest income earned by purchasers of the City's long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under Section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on a reasonable expectations regarding the use of the proceeds of the bonds issued. Long-term debt that does not meet and continue to meet the

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered “arbitrage bonds” and are not considered “tax exempt” as described above.

Rebate

Obligations will become arbitrage bonds (as described above) if certain arbitrage profits are not paid to the federal government as rebate under section 148(f) of the Code. The City’s obligations to calculate and make rebate payments (if any) will continue as long as there are gross proceeds allocable to outstanding debt issues. The City has performed calculations required under section 148(f) of the Code and has no present liability nor has the City ever been required to make rebate payments for issued debt in past years.

Unexpended Debt Issuance Proceeds (Yield Restriction Requirements)

Section 148 of the Code also provides that in order for debt not to be considered arbitrage bonds (as described), proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued starting on the third anniversary of the issue date of such debt. Accordingly, any unexpended proceeds of debt issued by the City that remain unexpended more than three years after such debt was issued should be yield restricted. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The City presently has unexpended proceeds from certain debt issues that require yield restriction as described above. The City is currently in compliance with these yield restriction requirements and does not anticipate associated significant noncompliance issues. The City is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a summary of interfund balances as of June 30, 2012:

<u>Due to Fund</u>	<u>Due From Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Missouri City Recreation and Leisure LGC	Loan for unreimbursed expenses	\$5,997
General	Fleet Maintenance Fund	Cash loan for expenses	96,885
General	Solid Waste Collection Fund	Cash loan for expenses	169,051
General	Information Tech. Maintenance Fund	Cash loan for expenses	9,448
Fleet Maintenance Fund	Fleet Replacement Fund	Cash loan for expenses	8,200
Information Tech. Maintenance Fund	Information Tech. Replacement Fund	Cash loan for expenses	238,149
Bond Fund	Building Maintenance Fund	Cash loan for expenses	1,079
			<u>\$528,809</u>

Amounts booked as due to/from are considered to be temporary loans and will be repaid during the following fiscal year.

For the year ended June 30, 2012, interfund transfers consisted of the following:

City of Missouri City, Texas
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<u>Transfers in Fund</u>	<u>Transfers out Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Court Juvenile Case Fund	Juvenile Case Manager payroll expenses	\$ 44,300
General	Missouri City Development Authority	TIRZ and PID expenses	100,000
General	TIRZ #1	Administrative fees	20,895
General	TIRZ #2	Administrative fees	31,154
General	TIRZ #3	Administrative fees	14,655
General	Metro Fund	Mobility cost expenses	800,000
General	Surface Water Treatment Fund	GRP admin fees, GCWA water option fees, and misc. fees.	150,000
Missouri City Development Authority	TIRZ #1	TIRZ expenses	20,000
Missouri City Development Authority	TIRZ #2	TIRZ expenses	20,000
Missouri City Development Authority	PID #2	PID expenses	20,000
Missouri City Development Authority	TIRZ #3	TIRZ expenses	20,000
Missouri City Development Authority	PID #4	PID expenses	20,000
Debt Service Fund	Water/Wastewater Utility Fund	Certificate of Obligation interest payments.	310,124
			<u><u>\$ 1,571,128</u></u>

Transfers are used to move revenues from the fund with collection authorization to other funds that finance various programs in accordance with budgetary authorizations.

NOTE 10 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

The fair value of plan assets held and administered by the plan's third-party administrator were \$7,870,044.

NOTE 11 - PENSION PLAN

Plan Description:

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RS) for TMRS; the report also

**City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS**

provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system.

This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011	Plan Year 2012
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consist of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

City of Missouri City, Texas
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	6/30/10	6/30/11	6/30/12
1. Annual Required Contribution (ARC)	\$2,833,342	\$2,882,292	\$2,778,949
2. Interest on Net Pension Obligation	17,965	64,943	105,966
3. Adjustment to the ARC	(14,626)	(53,733)	(51,398)
4. Annual Pension Cost (APC)	2,836,681	2,893,502	2,833,517
5. Contributions Made	2,210,306	2,346,528	2,515,034
6. Increase (decrease) in net pension obligation	626,375	546,974	318,483
7. Net Pension Obligation/(Asset), beginning of year	239,536	865,911	1,412,885
8. Net Pension Obligation/(Asset), end of year	\$865,911	\$1,412,885	\$1,731,368
9. Percentage of APC contributed.	78%	81%	89%

The City's total payroll in fiscal year 2012 was \$16.9 million and the City's contributions were based on a payroll of \$16.4 million. Contributions made by employees totaled \$1.2 million during the fiscal year ended June 30, 2012.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, is as follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28 years; closed period	27 years; closed period	26 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.50%	7.50%	7.50%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
# Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

City of Missouri City, Texas
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In order to provide a reasonable retirement benefit at a reasonable cost to employers and to provide better long-range rate forecasts, TMRS' actual funding method is the Projected Unit Credit method using a 25-30 year "closed" period.

A schedule of funding status and progress for TMRS for the most recent valuation date follows:

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Percentage Funded (1/2) (3)	Unfunded Actuarial Accrued Liability (UAAL) (2-1) (4)	Annual Covered Payroll (5)	(UAAL) as a Percentage of Covered Payroll (4/5) (6)
2011	\$72,995,245	\$69,162,522	105.5%	-\$3,832,723	\$16,327,276	-23.5%

A schedule of funding progress for TMRS for the three most recent actuarial valuations may be found in the required supplementary information section of the City's Annual Financial Report.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League (TML-IRP), an Intergovernmental Risk-Pool and through commercial insurance carriers. The City purchases commercial general insurance through the Texas Municipal League, an unincorporated association of political subdivisions of the State of Texas. This policy encompasses general liability, incidental, medical malpractice, automobile liability, law enforcement liability, errors and omissions liability, property, automobile vehicle liability, and damages with limits of liability for each occurrence at \$3,000,000. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in the TML-IRP is limited to payment of premiums.

Workers' Compensation

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivisions of the State of Texas. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All

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loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool. The City's liability is limited to payment of premiums as assessed by TML.

The City pays unemployment insurance claims filed by former employees on an actual reimbursement basis. The Texas Workforce Commission determines individual claim eligibility and bills the City for each eligible claim made. The City contracts with a third party, TALX Employer Services L.L.C., to administer its unemployment insurance/compensation program.

Long-Term Disability

The City provides long-term disability coverage for all full-time employees through Fort Dearborn Life Insurance Company. The City pays the entire amount of the premiums. After a 90-day waiting period, employees who become disabled through injury or sickness may receive 66-2/3 percent of basic monthly earnings, not to exceed maximum benefit less other income benefits.

Health/Dental/Life Insurance Plan

The City provides medical insurance, prescription card, dental, vision and life insurance programs for City employees. The City contracts with Blue Cross Blue Shield of Texas, which offers a H.S.A. high deductible medical plan and a P.P.O. medical plan for employees to choose from. The City also provides life insurance equal the employee's salary to a maximum of \$50,000 through Fort Dearborn Life Insurance Company.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Sick Leave

Employees are credited with sick leave at the rate of one day per month with no maximum accumulation, one-half of which is set aside for major illness each year. Regular sick days may be used for ordinary sick days, caring for relatives, and doctor's appointments. Unused sick leave is credited to the major illness accumulation at the end of the year. Employees do not receive any pay or other compensation either for, or in lieu of, accrued sick leave time upon any type of employment termination except for retirement. Upon meeting retirement qualifications and retiring from the City, employees will be paid 25 percent of accumulated major illness sick leave exceeding sixty days up to a total of thirty days.

The unrecorded contingency associated with all accumulated sick leave of City employees at June 30, 2012, is approximately \$3,229,189.

NOTE 14 - PARK LAND DEDICATION

The City enacted an ordinance requiring open space, park, and recreational areas, which is intended to assure that within residential developments of the City, there is sufficient land dedicated for open space and neighborhood parks. The City subsequently amended this ordinance

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providing for cash to be remitted in lieu of park land. Cash received shall be restricted to an area established by zone. Presently, the City has established twelve zones. Cash received by the City under this agreement must be expended within five years for the acquisition or development of a neighborhood park.

If not expended within the time frame established, the current owner of the property for which money was paid in lieu of land dedication shall be entitled to a refund providing a refund request is made within a one-year period. The activities of this program are accounted for in a special revenue fund.

NOTE 15 - AGREEMENT WITH GULF COAST WATER AUTHORITY

On July 17, 1997, the City entered into an option agreement with Gulf Coast Water Authority (GCWA), a Texas conservation and reclamation district, to purchase surface water rights. The agreement allows the City the option to buy fifteen (15) million gallons per day of surface water from GCWA's canal system. The City paid for 18.53 million gallons per day adjusted yearly for the U.S. Department of Labor Utilities Index for Industries. The City has paid GCWA \$2,465,401 cumulatively for water options through June 30, 2011.

Beginning in March 2009, the City exercised its option to purchase raw surface water and began paying for approximately 52,000 gallons a day through the Surface Water Treatment Plant. This plant will be the key facilitator for the Ground Water Reduction Plan for the region.

NOTE 16 - REGIONAL WASTEWATER TREATMENT FACILITIES

Steep Bank/Flat Bank Service Area

In March 1996, the City contracted with First Colony Municipal Utility District No. 9 (MUD 9) and Fort Bend County Municipal Utility District No. 42 (MUD 42) to construct a regional wastewater system to include a regional lift station, major transmission line, first phase of a treatment plant, and disposal. The project was completed and began operation in December 1999 with a treatment capacity of 1.5 million gallons per day (MGD), more than initially needed by MUDs 9 and 42. Between 2000 and 2010, the City signed regional wastewater facilities agreements with Fort Bend County MUDs No. 46, 115, 129 and 149 to utilize the temporary excess capacity in the Phase I plant, and to secure permanent capacity for these MUDs in future plant expansions. Construction of the Phase II plant expansion from 1.5 to 3.0 MGD began in 2009 and came on line in late 2010. This included a second aeration basin and clarifier, headworks improvements and ultraviolet disinfection system upgrades and expansion. Final cost shares are based on pro rata capacity allocations. The current discharge permit provides for future expansion of the plant to interim Phase III 4.5 MGD and final Phase IV 6.0 MGD phase. Sienna North, which is currently served by a temporary wastewater treatment plant owned by Sienna Plantation MUD 1, will be served by the Steep Bank/Flat Bank Plant either in the existing Phase II or the future Phase III.

City of Missouri City, Texas
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The City owns the plant and is responsible for its operation and maintenance. Under interlocal agreement between the City and Quail Valley Utility District, District staff performs the operation and maintenance. Each of the MUDs pays monthly charges for their share of operations and maintenance expenses, which includes funding an operations and maintenance reserve.

MUDs 9, 42, 46, 115, 129 and 149 and the City have agreed that each district shall initially have the right to deliver, subject to agreed terms and conditions, wastewater to the plant in the following capacities:

District	Percent	Reserved Capacity (MGD)
First Colony MUD #9	44%	1.500
Fort Bend County MUD #42	20%	0.670
Fort Bend County MUD #115	12%	0.401
Fort Bend County MUD #46	9%	0.316
Fort Bend County MUD #129	14%	0.484
Fort Bend County MUD #149	2%	0.055
	<u>100%</u>	<u>3.427</u>

It is noted that MUD 9 and MUD 115 have purchased more capacity than needed and this capacity is being reassigned. The total assigned capacity will not exceed the permitted 3.0 MGD.

The City will provide funding for the expansion of the facility when needed and reserves the option to utilize package plants in the interim, if necessary, to provide services to all areas. The districts will pay their share of the debt service for expansion. The maintenance and operation of the plant will be prorated among the MUDs utilizing their average equivalent connections for the year.

Mustang Bayou Service Area

The Mustang Bayou Water Supply and Wastewater Treatment Service Area includes Fort Bend Municipal Utility Districts No. 47 and 48 (which serve the Vicksburg and Olympia Estates neighborhoods and Hightower High School), Tax Increment Reinvestment Zone No. 2 and Public Improvement Districts No. 2, 3 and 4. The area is attracting major retail and residential development as a result of the Fort Bend Toll Road, which opened in August 2004, connecting Highway 6 with Beltway 8. In 2004, the City and Fort Bend MUDs 47 and 48 executed a regional wastewater treatment and water supply agreement to provide integrated utility services to the area. The wastewater portion of that agreement was updated in 2010 when regional wastewater treatment facilities agreements between the City and MUDs 47 and 48 were executed. The water portion of the agreement was updated in 2011 with regional joint water facilities agreements between the City and MUDs 47 and 48 which are in the process of execution.

**City of Missouri City, Texas
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The City and the Vicksburg Joint Powers (MUDs 47 and 48) collectively constructed new wastewater facilities for the expansion of the Vicksburg Wastewater Treatment Plant (WWTP), located on the west side of the Toll Road, just north of Trammel-Fresno Road. The City now owns and operates the Vicksburg WWTP, and has since renamed the plant the Mustang Bayou Regional WWTP. The City's Mustang Bayou Regional WWTP provides treatment for the entire service area, including MUDs 47 and 48. This expansion was completed in December of 2009, and plant ownership transfer was completed in March of 2010.

Fort Bend MUDs 47 and 48 own and operate a water well and plant located in the north side of the Mustang Service Area. The City owns and operates a water well and plant in the south side of the service area, south of Highway 6 and east of the Fort Bend Toll Road. The City well and plant has increased water supply and improved water pressure available for fire flows for new and existing development. Under the 2011 water agreements, the ownership of the MUDs' water well and plant will be transferred to the City on January 1, 2012, and the two plants and will be permanently interconnected to jointly supply the entire service area.

The City projected a need for a water/wastewater master plan, capital improvement plan and an impact fee study as the City and the utility districts (MUDs 47, 48 and Vicksburg Joint Powers) proceed with coordination on utility service issues in the Mustang Bayou Service Area. This study is currently underway and will provide technical and financial information for the City to properly administer and provide utility service in the area.

NOTE 17 – DEVELOPMENT AGREEMENTS

Agreement with Sienna Plantation

In past years, it was the policy of City Council that before a reclamation district, water control improvement district or municipal utility district could be created, the landowners in the City's extra-territorial jurisdiction must petition for annexation into the City. As a result, the City approved the creation of several separate municipal districts in past years.

In 1995-96, the City began development of a regional water, sewer and storm drainage plan to determine future demands for water, sewer and storm drainage facilities for the entire City including these districts. With the City approximately one-third built, not including the City's extra-territorial jurisdiction, this was a good time to initiate the change. In conjunction with this, a Municipal Utility District Study was performed to assure that Regionalization versus separate MUDs was feasible.

As a result, the City determined to leave the existing districts in place at this time and review their Regionalization needs on an individual basis, when the need to sell new debt or expand the plant took place. For the rest of the City, the City is seeking Regionalization by requiring MUDs to go to a regionalized plant, and to develop contracts for Regionalization with existing MUDs. The Quail Valley MUD is a good example of this Regionalization effort.

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In other areas, Public Improvement Districts are being formed to take care of the water, sewer, drainage and other needed improvements.

In 1995-96, several developers of Sienna Plantation, a 12,000-acre master planned community in the City's extraterritorial jurisdiction approached the City Council to allow development by agreement. As a result, a development agreement was proposed allowing development to take place outside the City limits.

The developers in Sienna Plantation entered into the Sienna Plantation Joint Development Agreement with the City of Missouri City (the "City") dated February 19, 1996, as amended (collectively, the "Development Agreement"), which stipulates the City's regulatory authority over the development of Sienna Plantation. The Development Agreement establishes certain restrictions and commitments related to the development of Sienna Plantation, sets forth detailed design and construction standards, stipulates a formula for determining the time of annexation of land within Sienna Plantation by the City, and identifies and establishes a master plan for the development of Sienna Plantation. The provisions of the Development Agreement govern the development of all land within Sienna Plantation.

In the Development Agreement, the City agrees not to annex the property in any district before such time as (i) at least 90 percent of the developable acreage within such district has been developed with water, wastewater treatment, and drainage facilities; and (ii) the Developer has been reimbursed to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligation for such reimbursement. The area is expected to add approximately 60,000 to the population of the City.

Wastewater Treatment Service Contract

In the fall of 2005, the City executed the First Supplement to the Fire Protection Agreement with Sienna Municipal Utility District (MUD) No. 1 for the purposes of outlining each entity's responsibility in the construction of a fifth fire station. Said station is to be located in Sienna Plantation. The agreement stipulates that once a certain number of homes within Sienna proper have been constructed, the City is then obligated to commence design of the fire station.

The district (MUD No. 1) is obligated to contribute toward the cost of the fire station comparable to the City's Fire Station No. 4, as well as the cost of an additional fire engine to be housed at the new station. Furthermore, the district is to fund the operational costs of the fifth fire station, as its primary service area will be serving Sienna proper, which is located outside the City's corporate limits.

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Contract with Sienna Plantation Municipal Utility District No. 1 (Master District)

The District, together with each conservation and reclamation district located within Sienna Plantation District, has contracted with Sienna Plantation Municipal Utility District No. 1 (the “Master District”) to provide water supply and distribution, sewage collection and treatment services, major trunk storm sewer drain services, fire protection, and other services and facilities permitted by law for the entire Sienna Plantation development. The District has incurred, or incurs, the following expenditures with respect to this contract:

- the District’s prorated share of the Master District’s capital cost (connection charges) of which future costs will be capitalized by the District; and,
- monthly connection charges in an amount sufficient to meet the District’s prorated share of the operational and maintenance costs of the central facilities, based on the relevant use of such facilities.

Fire Protection Agreements between City and Sienna Plantation MUDs

Fire Protection agreements have been entered into between the City and various Municipal Utility Districts as follows:

March 19, 2001 Sienna Plantation Municipal Utility District 1
 March 19, 2001 Sienna Plantation Municipal Utility District 2
 March 19, 2001 Sienna Plantation Municipal Utility District 3
 January 3, 2005 Sienna Plantation Municipal Utility District 4
 January 3, 2005 Sienna Plantation Municipal Utility District 5
 January 3, 2005 Sienna Plantation Municipal Utility District 6
 January 3, 2005 Sienna Plantation Municipal Utility District 7
 February 21, 2005 Sienna Plantation Municipal Utility District 10
 February 21, 2005 Sienna Plantation Municipal Utility District 12

Each of these districts are outside the City’s corporate limits, but within its extraterritorial jurisdiction. The agreements are to provide fire suppression and rescue services. The MUD districts agree to pay the City a monthly charge for each residential unit in the districts connected to the public water supply on or before the twentieth day of the preceding month. For non-residential properties, the districts agree to pay a monthly charge per 2,000 square feet of building floor space.

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NewQuest Properties Economic 380 Agreement - Fort Bend Town Center

The Fort Bend Town Center is proposed commercial development located along both sides of the future extension of the Fort Bend Parkway south of State Highway 6. This particular property lacks some major infrastructure needed for development. As an incentive to have it develop sooner rather than later, the City executed an economic development agreement, reimbursing the developer for some of their cost incurred in developing the site. The total amount of the project is \$7,007,548.

As part of this development, the developer, with the City's assistance has been successful in working out an agreement to extend service lanes for the future Fort Bend Parkway south of its current terminus. Such an extension will be a critical component in encouraging the next phase of the parkway to Sienna Parkway to take place sooner and ultimately improve traffic circulation in the Sienna North area. As an added bonus, the Fort Bend Toll Road Authority has agreed to reimburse the cost incurred for a portion of the extension, once bonds are sold. To date, the amount total amount of sales tax reimbursements are \$149,588.

Interest on the reimbursement is capped at two (2) years.

Trammell Crow Development & Investment, Inc. Economic 380 Agreement - Lakeview Business Park

Lakeview Business Park is a commercial park located at the intersection of Buffalo Run and Fondren Road, on the south side of Buffalo Run. The business park is the largest of its type undertaken by Trammel Crow Development & Investment, Inc. in the Houston area. In an effort to make the development more competitive, the City executed an economic development agreement, reimbursing the developer for costs incurred in the installation of a public roadway and storm sewer system. The park will be developed in two phases, with Phase I consisting mainly of the eastern half of the property. The following is the reimbursement schedule for both phases:

Phase I

- The roadway and drainage improvements for Phase I have been completed and accepted by the City. The City has reimbursed Trammel Crow for two of the three annual payments as outlined in the development agreement.
- The developer constructed spec buildings simultaneously with the installation of Phase I public improvements.

Phase II

- Upon completion and acceptance by the City of the remaining roadway and drainage improvements, the City would reimburse Trammel Crow in three equal annual payments, if and only if, the taxable value of the park exceeded \$50 million.

**City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS**

Projected ad valorem tax revenue to be realized by the City is an estimated \$7.2 million over the first ten years of the project.

Reinvestment Zone Number Three Agreement – Sienna Plantation Management District (SPMD)

Reinvestment Zone Number Three, located within the city limits near the intersection of State Highway 6 and Sienna Parkway, was created as a funding source for public infrastructure improvements that will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City. The Zone, when created, contained substantial areas that are predominantly open and underdeveloped, and had lack public roadway, water distribution, wastewater collection and storm drainage facilities.

The total cost of the project is \$46 million which includes new roadway construction (\$15.9 million) throughout the Zone including the Fort Bend Parkway Tollroad Corridor feeder road, various roadway and intersection improvements (\$8.55 million), a structured parking garage (\$6.75 million), decorative signage, landscaping, and enhancements (\$6 million), Houston Community College educational facilities (\$6.9 million), and zone administrative costs (\$1.9 million).

The reimbursements will be based on the increase in taxable value of real property within the Zone and 50% of the total amount of Metro Tax generated from the District. As of June 30, 2012, no reimbursements from the Metro tax have been made.

NOTE 18 - REIMBURSEMENTS DUE TO CITY AND DEVELOPERS

The City has entered into agreements with developers and newly created governmental entities for purposes of developing areas that otherwise would not be developed. The planned resources for these developments are property tax increments in established zones within the City. Currently, the City's financial statements include two Tax Increment Reinvestment Zones (Zones 1 and 2) as blended component units along with a Development Authority created for these purposes. On July 20, 2006, the Missouri City Development Authority issued tax increment contract revenue bonds in the amount of \$6,540,000, the proceeds of which were used to reimburse certain developer costs relating to land development within TIRZ #1. The interest rates on the bonds ranged from 4.0 – 4.625 percent and mature in 2027. The City expects approximately \$1.6 million will be spent in the upcoming fiscal year for development activities within Zone 2.

The City has also worked with area developers in the creation of Public Improvement Districts (PIDs) for development purposes that will use property assessments within their boundaries to create additional resources for development purposes. Costs associated with the PIDs' creation

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

have been included in the Public Improvement District #2 and #4 Funds. The City expects approximately \$5.3 million will be spent in the upcoming fiscal year for development activities within Districts 2 and 4.

The City and developers have pre-funded certain creation costs for these entities and expect reimbursement of these costs in the future, once development has taken place and property values are at a level that will create the resources for repayment of these costs. The reimbursements will include interest at agreed-upon rates at the time the reimbursements are calculated and made.

In addition, the City has pre-funded capital costs for a regional wastewater treatment plant. These pre-funded costs have included over-sizing of sewer lines funded by the proceeds of City issued certificates of obligation (see Note 16). The City has also pre-funded additional costs from operating funds related to the over-sizing and engineering costs related to plant expansion for new users. These pre-funded costs are expected to be paid back as new or existing customers pay for capacity in the current and expanded plant.

The City plans to receive interest on these pre-funded costs at the time of reimbursement at agreed-upon rates at the time the reimbursements are calculated and made.

The amounts currently due to the City and developers by project and excluding interest costs at June 30, 2012, are shown below. These amounts do not include the over-sizing costs funded through City-issued certificates of obligation discussed in Note 16.

	Tax		
	Public Improvement Districts	Incremental Reinvestment Zones	Totals
City	\$ 209,997	\$ 5,169,759	\$ 5,379,756
Developers	51,512	146,044	197,556
	<u>\$ 261,509</u>	<u>\$ 5,315,803</u>	<u>\$ 5,577,312</u>

**NOTE 19 - AGREEMENT WITH HARRIS COUNTY METROPOLITAN TRANSIT
AUTHORITY**

The City entered into a Congestion Mitigation/Traffic Management Agreement with the Harris County Metropolitan Transit Authority (METRO) to address ongoing mobility needs through the further development of regional transportation systems. Under this agreement, METRO will make payments to the City to fund eligible transportation projects as defined in the agreement. The agreement is effective through September 30, 2014. These payments will generally be limited to one-half (1/2) of all METRO sales tax collections within the City during the agreement. These payments will be in addition to payments for previously approved METRO projects within the City. The City received approximately \$2.6 million pursuant to this agreement for eligible transportation projects in the current fiscal year.

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

NOTE 20 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description - In addition to pension benefits, it has been the City's practice that retired employees who were at least sixty-five years of age at the time of retirement from the City and who have had at least ten years of service with the City would be provided medical, dental, and vision insurance coverage by the City to the extent and subject to the conditions of such coverage that is provided to non-retired employees of the City. Similarly, employees who become disabled, while on duty, may also be eligible for insurance or similar retirement benefits from the City. The dependents of these individuals may also be eligible to access the City's insurance plan. The City contracts with Blue Cross Blue Shield of Texas, which offers a H.S.A. high deductible medical plan and a P.P.O. medical plan for employees to choose from. The City funds premiums to its health insurance plan for eligible retirees in the same manner as it funds similar premiums for current employees on a pay-as-you-go basis.

Actuarial Methods and Assumptions - The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to the point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation rate	3% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary Growth	3% per annum
Healthcare cost trend rate	Initial rate of 8.5% in 2012 declining to an ultimate rate of 4.50% after 8 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

future. Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$3,265,249 at December 31, 2011. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 19.6%.

Actuarial Valuation Date December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	Ratio of UAAL to Annual Covered Payroll
2011	-	\$3,265,249	\$3,265,249	0%	\$16,642,341	19.6%

Funding Policy - The contribution requirements of plan members and the City are established and may be amended by the City's executive branch. The City recognizes its share of the costs of providing these benefits when paid, on a "pay-as-you-go" basis. These payments are budgeted annually. The City contributed approximately \$116,353 for the fiscal year ending June 30, 2012. At June 30, 2012, there were approximately 12 participants eligible to receive such benefits.

Commencing in fiscal 2009, the City has implemented GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions."

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending June 30, 2012, is as follows:

	6/30/10	6/30/11	6/30/12
Annual required contribution	\$437,301	\$112,829	\$299,068
Interest on OPEB obligation	5,976	21,426	22,352
Adjustment to ARC	(3,474)	(12,457)	(12,996)
Annual OPEB cost (expense) end of year	439,803	121,798	308,424
Net estimated employer contributions	(96,468)	(101,218)	(116,353)
Increase in net OPEB obligation	343,335	20,580	192,071
Net OPEB obligation - as of beginning of the year	132,789	476,124	496,704
Net OPEB obligation (asset) - as of end of year	\$476,124	\$496,704	\$688,775
Percentage of OPEB Costs Contributed	22%	83%	38%

City of Missouri City, Texas
NOTES TO FINANCIAL STATEMENTS

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2012 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
6/30/2010	\$442,613	\$96,468	21.8%	\$478,934
6/30/2011	\$126,675	\$101,218	79.9%	\$504,391
6/30/2012	\$300,737	\$116,353	38.7%	\$688,775

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MISSOURI CITY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Taxes:				
Property taxes and penalties	\$ 14,740,000	\$ 14,740,000	\$ 14,135,357	\$ (604,643)
Sales taxes	6,030,000	6,030,000	6,249,961	219,961
Licenses and permits	1,371,200	1,371,200	1,417,337	46,137
Fines and forfeitures	1,127,700	1,152,700	1,202,259	49,559
Franchise Fees	3,265,000	3,265,000	3,260,490	(4,510)
Intergovernmental revenues	977,529	1,999,004	839,815	(1,159,189)
Other revenue	2,166,686	2,176,016	1,763,556	(412,460)
Total Revenues	<u>29,678,115</u>	<u>30,733,920</u>	<u>28,868,775</u>	<u>(1,865,145)</u>
Expenditures:				
Current:				
General government	4,227,610	5,004,240	3,875,752	1,128,488
Finance	1,790,783	1,830,409	1,738,000	92,409
Police	10,252,001	11,291,274	11,238,494	52,780
Fire	6,226,362	6,796,378	6,795,237	1,141
Public works	4,097,578	4,163,675	3,854,516	309,159
Parks and recreation	2,419,130	2,446,675	2,210,955	235,720
Planning	1,881,648	1,882,849	1,638,837	244,012
Capital outlay	-	64,103	65,112	(1,009)
Total Expenditures	<u>30,895,112</u>	<u>33,479,603</u>	<u>31,416,903</u>	<u>2,062,700</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,216,997)</u>	<u>(2,745,683)</u>	<u>(2,548,128)</u>	<u>197,555</u>
Other financing sources (uses)				
Contingency	(1,054,685)	-	-	-
Transfers from other funds	1,180,906	1,155,906	1,161,004	5,098
Transfers (to) other funds	<u>(183,117)</u>	<u>(158,117)</u>	<u>-</u>	<u>158,117</u>
Total Other Financing Sources	<u>(56,896)</u>	<u>997,789</u>	<u>1,161,004</u>	<u>163,215</u>
Net Change in Fund Balance -				
Budgetary Basis	<u>(1,273,893)</u>	<u>(1,747,894)</u>	<u>(1,387,124)</u>	<u>360,770</u>
Net adjustments to reflect operations in accordance with generally accepted accounting principals	<u>-</u>	<u>-</u>	<u>736,643</u>	<u>736,643</u>
Net Change in Fund Balance -				
GAAP Basis	<u>(1,273,893)</u>	<u>(1,747,894)</u>	<u>(650,481)</u>	<u>1,097,413</u>
Fund Balances - Beginning	<u>9,065,729</u>	<u>5,255,328</u>	<u>9,065,725</u>	<u>3,810,397</u>
Fund Balances - Ending	<u>\$ 7,791,836</u>	<u>\$ 3,507,434</u>	<u>\$ 8,415,244</u>	<u>\$ 4,907,810</u>

City of Missouri City, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETS AND BUDGETARY ACCOUNTING

Budgets are prepared on a basis other than generally accepted accounting principles (GAAP). The modified accrual basis of accounting, which is in accordance with GAAP, is used for financial reporting purposes. An annual operating budget is prepared on the “budgetary basis” and is approved annually by City Council. Encumbrance accounting is utilized for all governmental fund types. Any encumbered appropriation does not lapse at year-end and is included in budgetary expenditures for budget comparison purposes. In the current year, General Fund budgetary expenditures were \$736,643 less than for GAAP as a result of this inclusion of encumbrances for budgetary reporting purposes. Encumbrances are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The City honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets are adopted for all funds annually. Annual budgets are adopted for the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds. The Proprietary Fund budgets are used primarily as financial plans for control purposes. Accordingly, no budgetary comparisons are presented for these funds. The City adopts project budgets for Capital Projects Funds, which are revised annually.

These budgets are created by ordinance and include all sources and uses of funds as approved by Council. All annual budgets are prepared on a budgetary basis that differs from GAAP. In accordance with the City’s Charter, budgetary expenditures in governmental funds include encumbrances outstanding at year-end.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budgetary appropriations, which were not considered material, throughout the year.

Encumbrance accounting is utilized in all governmental fund types. Any encumbered appropriation does not lapse at year-end and is included in budgetary expenditures for budget comparison purposes. In the current year, General Fund budgetary expenditures were \$474,001 more than for GAAP as a result of this inclusion of encumbrances for budgetary reporting purposes. Encumbrances for materials, other goods, and purchased services are documented by purchase orders or contracts. Encumbrances outstanding at year-end do not constitute expenditures or liabilities under GAAP. The City honors these commitments and records GAAP expenditures in the subsequent year as the transactions are completed.

City of Missouri City, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

	Budgeting Basis	Encumbrances	GAAP Basis
Revenues	\$30,859,021		\$28,868,775
Expenditures	32,132,914	736,643	32,869,557
	<u>(\$1,273,893)</u>	<u>(\$736,643)</u>	<u>(\$4,000,782)</u>

During the year, the General Fund had an original revenue budget of \$30,859,021, and a final revenue budget of \$31,889,826, resulting in an increased revenue budget of \$1,030,805, or 3.3%. The increase was due to additional intergovernmental revenues from grants added during the year. Actual total revenues of \$28,868,775 were \$1,865,145 less than the final budget. The majority of this revenue budget deficit was \$1.1 million in grant revenues not collected until the next fiscal year, \$604,000 less in budgeted property taxes, and \$412,000 in fewer other revenues.

The General Fund originally budgeted expenditures of \$32,132,914, and had a final budget of \$33,637,720, resulting in an expenditure budget increase of \$1,504,806, or 4.7%. The majority of this increase was due to an estimated increase of current year expenditures in police activities of \$1 million and \$777,000 for general government activities.

CITY CHARTER

The City's Charter contains the following budgeting requirements:

The City Manager, on or before the first day of June of each year, shall submit to Council a proposed budget. The Council shall review the proposed budget and revise as deemed appropriate prior to circulation for public hearing.

After the public hearing, the Council may adopt the budget with or without amendment. In amending the budget, Council may add or increase programs or amounts and may delete or decrease any amount, except expenditures required by law or for debt or for estimated cash deficits, provided no amendments to the budget shall increase the authorized expenditures to an amount greater than the total of estimated income plus funds available from prior years.

The Council shall adopt the budget by the 25th of June of each year. Adoption of the budget shall constitute appropriation of the amounts specified therein as expenditures and shall constitute a levy of the property tax therein proposed.

City of Missouri City, Texas
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Encumbered appropriations do not lapse at year-end and are included in budgetary expenditures. Budgetary expenditures may not legally exceed appropriations at the department level. Department heads are authorized to transfer budgeted amounts within a department. At any time during the fiscal year, the City Manager may transfer part or all of any unencumbered

The following funds budgets were exceeded during the year: Court Juvenile Case Fund, TIRZ#2, TIRZ#3, PID#2, PID#4, Metro Fund, and the Certificates of Obligation Fund.

City of Missouri City, Texas
TEXAS MUNICIPAL RETIREMENT SYSTEM AND THE CITY OF MISSOURI CITY
OPEB -SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because TMRS adopted a new actuarial cost method and assumptions in 2007 the city's net pension obligation was created due to eight (8) year phase-in period to fund annual required contributions. The information presented below represents the City's TMRS Schedule of Funding Progress.

Actuarial Valuation Date December 31	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2011	\$ 72,995,245	\$ 69,162,522	106%	\$ (3,832,723)	\$ 16,327,276	-23%
2010	68,563,332	83,077,570	83%	14,514,238	16,297,028	89%
2009	38,309,280	57,334,378	67%	19,025,098	16,681,946	114%
2008	37,113,058	54,773,891	68%	17,660,833	16,630,535	106%

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) know as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The information presented below represents the City's OPEB Schedule of Funding Progress.

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2011	\$ -	\$ 2,721,182	0%	\$ 2,721,182	\$ 16,327,276	17%
2010	-	2,721,182	0%	2,721,182	16,297,028	17%
2009	-	2,721,182	0%	2,721,182	16,681,946	16%
2008	-	2,721,182	0%	2,721,182	16,630,535	16%

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Non-major Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted for particular purposes.

Park Land Dedication Fund

This fund is used to account for cash payments in lieu of land donated for parks as established by the Park Land Dedication Ordinance. Funds must be expended within five years from the date of the receipt for acquisition or development of a neighborhood park.

Law Enforcement Fund

This fund is used to account for monies resulting from narcotics contraband seized within the County as a result of a final conviction or forfeiture by the State. The funds are to be used solely for law enforcement purposes. The Law Enforcement Block Grant is also accounted for in this fund.

Radio Communications Fund

This fund is used to account for the operations and maintenance of the radio communications facilities, a portion of which is paid by other area users.

Court Security, Technology, and Juvenile Case Funds

These funds are used to account for monies resulting from court fee assessments. The funds are to be used solely for security, technology and case management of the court.

Missouri City TV Facility and Equipment Fund

This fund is used to account for Public, Educational, and Governmental Access (PEG) fees collected from cable TV subscribers. The funds are to be used solely for technology, furniture and equipment related to the City's cable TV station programming.

Community Development Block Grant Funds

These funds are used to account for revenues to be received from the Community Development Block Grant Entitlement Fund.

Missouri City Development Authority Fund

This fund is used to account for the Development Authority, which is made up of City Council with ex-officio members including the City Manager, Director of Public Works, City Attorney, Director of Planning, Finance Director, and may also include representatives of the Fort Bend Independent School District as non-voting members. The board will act for the City to develop policies, implement project and financing plans with the planned improvement districts and tax incremental reinvestment zones.

Tax Incremental Reinvestment Zone (TIRZ) #1 (Fifth Street) Fund

This fund is used to account for the TIRZ which covers the Fifth Street area of the City, which is located near an unincorporated area in the City of Stafford's extra-territorial jurisdiction. The Fort Bend Economic Development Commission developed the plan to improve the area noted for substandard housing, a lack of public infrastructure and crime.

Tax Incremental Reinvestment Zone (TIRZ) #2 (Vicksburg) Fund

This fund is used to account for the TIRZ in the Vicksburg subdivision area of the City. Prime development has been handicapped for years due to drainage problems. By forming the TIRZ, drainage problems can be addressed on a regional basis.

Tax Incremental Reinvestment Zone (TIRZ) #3 (Sienna) Fund

This fund is used to account for the TIRZ in the Sienna Plantation area of the City. The land within this TIRZ is prime for development has been limited for years due to drainage problems. By forming the TIRZ, drainage problems can be addressed on a regional basis and quality growth can occur.

Public Improvement District (PID) #4 (Creekmont) Fund

This fund is used to track the sources and uses of funds for the Public Improvement District in the Creekmont area. As improvements are made in this district, a special assessment fee will be charged to property owners.

Capital Projects Funds

Capital Projects Funds are used to account for all resources used for the acquisition and/or construction of all buildings, equipment, rights of way, and street and drainage improvements.

Metro Fund

This fund is used to account for the reimbursement of one-half (1/2) of the one cent sales tax collected by the Harris County Metropolitan Transit Authority (METRO) within the City during the term of the Congestion Mitigation/Traffic Management Agreement which is effective through September 30, 2014. The funds are to be used to fund eligible transportation projects as defined in the agreement to address ongoing mobility needs through the further development of regional transportation systems.

Certificates of Obligation Fund

This fund is used to account for the purchase of certain capital equipment, city vehicles and certain professional services.

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City of Missouri City, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Park Land Dedication Fund	Law Enforcement Fund	Radio Communications Fund	Court Security Fee Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 129,096	\$ 40,700	\$ 9,466	\$ 25,051
Investments	810,048	255,385	59,399	157,188
Receivables:				
Other net of allowance account	-	-	-	6,871
Due from other governments	-	-	3,501	-
Total assets	\$ 939,144	\$ 296,085	\$ 72,366	\$ 189,110
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 43,112	\$ 219
Retainage Payable	-	-	-	-
Deferred revenues	-	-	-	6,871
Total Liabilities	-	-	43,112	7,090
Fund Balances				
Restricted for:				
Law enforcement	-	296,086	29,254	182,020
Facilities construction	-	-	-	-
Parkland dedication	939,144	-	-	-
Community Development	-	-	-	-
Total Fund Balances	939,144	296,086	29,254	182,020
Total Liabilities and Fund Balances	\$ 939,144	\$ 296,086	\$ 72,366	\$ 189,110

Exhibit C-1 (p. 1 of 2)

<u>Court Technology Fee Fund</u>	<u>Missouri City TV Facility & Equip. Fund</u>	<u>Court Juvenile Case Fund</u>	<u>Community Development Block Grant Fund</u>	<u>TIRZ #1 Fund</u>	<u>TIRZ #2 Fund</u>
\$ 20,313	\$ 19,568	\$ 4	\$ 602	\$ 72,085	\$ 451,590
127,458	122,784	28	3,777	452,317	2,833,621
9,872	-	12,156	-	-	-
-	37,896	-	8,605	10,622	20,237
<u>\$ 157,643</u>	<u>\$ 180,248</u>	<u>\$ 12,188</u>	<u>\$ 12,984</u>	<u>\$ 535,024</u>	<u>\$ 3,305,448</u>
\$ -	\$ -	\$ -	\$ 8,638	\$ -	\$ -
-	-	-	-	-	-
9,872	-	12,156	-	-	-
<u>9,872</u>	<u>-</u>	<u>12,156</u>	<u>8,638</u>	<u>-</u>	<u>-</u>
147,770	-	32	-	-	-
-	180,248	-	-	-	-
-	-	-	-	-	-
-	-	-	4,346	535,024	3,305,448
<u>147,770</u>	<u>180,248</u>	<u>32</u>	<u>4,346</u>	<u>535,024</u>	<u>3,305,448</u>
<u>\$ 157,642</u>	<u>\$ 180,248</u>	<u>\$ 12,188</u>	<u>\$ 12,984</u>	<u>\$ 535,024</u>	<u>\$ 3,305,448</u>

City of Missouri City, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	<u>TIRZ #3</u> <u>Fund</u>	<u>Development</u> <u>Authority</u> <u>Fund</u>	<u>PID #3</u> <u>Fund</u>	<u>PID #4</u> <u>Fund</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 148,517	\$ -	\$ 160,656	\$ 20,760
Investments	931,911	-	1,008,078	130,267
Receivables:				
Other net of allowance account	-	-	-	-
Due from other governments	16,297	-	-	-
Total assets	<u><u>\$ 1,096,725</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,168,734</u></u>	<u><u>\$ 151,027</u></u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Retainage Payable	-	-	-	-
Deferred revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted for:				
Law enforcement	-	-	-	-
Facilities construction	-	-	-	-
Parkland dedication	-	-	-	-
Community Development	1,096,725	-	1,168,734	151,027
Total Fund Balances	<u>1,096,725</u>	<u>-</u>	<u>1,168,734</u>	<u>151,027</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,096,725</u></u>	<u><u>\$ -</u></u>	<u><u>\$1,168,734</u></u>	<u><u>\$ 151,027</u></u>

Exhibit C-1 (p. 2 of 2)

<u>Metro Fund</u>	<u>Certificates of Obligation Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 358,443	\$ 136,327	\$ 1,593,178
2,249,148	855,418	9,996,827
-	-	28,899
499,377	-	596,535
<u>\$ 3,106,968</u>	<u>\$ 991,745</u>	<u>\$ 12,215,439</u>
\$ 271,811	\$ 117,066	\$ 440,846
3,141	-	3,141
-	-	28,899
<u>274,952</u>	<u>117,066</u>	<u>472,886</u>
-	-	655,162
2,832,016	874,679	3,886,943
-	-	939,144
-	-	6,261,304
<u>2,832,016</u>	<u>874,679</u>	<u>11,742,553</u>
<u>\$ 3,106,968</u>	<u>\$ 991,745</u>	<u>\$ 12,215,439</u>

City of Missouri City, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	Parkland Dedication Fund	Law Enforcement Fund	Radio Communications Fund	Court Security Fee Fund
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	50,850	-
Franchise fees	-	-	-	-
Other revenue	30,217	243,051	122,095	30,072
Total revenues	30,217	243,051	172,945	30,072
Expenditures				
Current:				
General government	-	-	-	3,294
Police	-	74,778	154,674	-
Parks and recreation	301,468	-	-	-
Planning	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	301,468	74,778	154,674	3,294
Excess (Deficiency) of Revenues Over (under) expenditures	(271,251)	168,273	18,271	26,778
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	-
Transfers (to) other funds	-	-	-	-
Issuance of debt	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balance	(271,251)	168,273	18,271	26,778
Fund Balances, Beginning	1,210,395	127,813	10,983	155,242
Fund Balances, Ending	\$ 939,144	\$ 296,086	\$ 29,254	\$ 182,020

Exhibit C-2 (p. 1 of 2)

Court Technology Fee Fund	Missouri City TV Facility & Equip. Fund	Court Juvenile Case Fund	Community Development Block Grant Fund	TIRZ #1 Fund	TIRZ #2 Fund
\$ -	\$ -	\$ -	\$ -	\$ 693,035	\$ 1,069,109
-	-	-	309,403	-	-
-	-	-	-	-	-
-	144,121	-	-	-	-
38,698	2,004	44,332	-	4,655	50,331
<u>38,698</u>	<u>146,125</u>	<u>44,332</u>	<u>309,403</u>	<u>697,690</u>	<u>1,119,440</u>
15,225	106,945	-	-	1,855	39,242
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	309,403	-	-
-	-	-	-	215,237	-
-	-	-	-	255,000	410,000
-	-	-	-	245,580	178,812
<u>15,225</u>	<u>106,945</u>	<u>-</u>	<u>309,403</u>	<u>717,672</u>	<u>628,054</u>
<u>23,473</u>	<u>39,180</u>	<u>44,332</u>	<u>-</u>	<u>(19,982)</u>	<u>491,386</u>
-	-	-	-	-	-
-	-	(44,300)	-	(40,895)	(51,154)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>(44,300)</u>	<u>-</u>	<u>(40,895)</u>	<u>(51,154)</u>
23,473	39,180	32	-	(60,877)	440,232
<u>124,297</u>	<u>141,068</u>	<u>-</u>	<u>4,346</u>	<u>595,901</u>	<u>2,865,216</u>
<u><u>\$ 147,770</u></u>	<u><u>\$ 180,248</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ 4,346</u></u>	<u><u>\$ 535,024</u></u>	<u><u>\$ 3,305,448</u></u>

City of Missouri City, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	TIRZ #3	Development	PID #2	PID #4
	Fund	Authority	Fund	Fund
	Fund	Fund	Fund	Fund
Revenues				
Property taxes	\$ 729,352	\$ -	\$ -	\$ -
Intergovernmental revenues	51,792	-	-	372,257
Charges for services	-	-	495,395	-
Franchise fees	-	-	-	-
Other revenue	17,594	-	18,042	1,377
Total revenues	<u>798,738</u>	<u>-</u>	<u>513,437</u>	<u>373,634</u>
Expenditures				
Current:				
General government	-	-	-	-
Police	-	-	-	-
Parks and recreation	-	-	-	-
Planning	47	-	542	500
Capital Outlay	817,603	-	-	-
Debt service:				
Principal	-	-	90,000	20,000
Interest and fiscal charges	-	-	237,875	266,499
Total Expenditures	<u>817,650</u>	<u>-</u>	<u>328,417</u>	<u>286,999</u>
Excess (Deficiency) of Revenues				
Over (under) expenditures	<u>(18,912)</u>	<u>-</u>	<u>185,020</u>	<u>86,635</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	100,000	-	-
Transfers (to) other funds	(34,655)	(100,000)	(20,000)	(20,000)
Issuance of debt	-	-	-	-
Total Other Financing Sources	<u>(34,655)</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Net Change in Fund Balance	(53,567)	-	165,020	66,635
Fund Balances, Beginning	<u>1,150,292</u>	<u>-</u>	<u>1,003,714</u>	<u>84,392</u>
Fund Balances, Ending	<u><u>\$ 1,096,725</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,168,734</u></u>	<u><u>\$ 151,027</u></u>

Exhibit C-2 (p. 2 of 2)

Metro Fund	Certificates of Obligation Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,491,496
2,648,319	-	3,381,771
-	-	546,245
-	-	144,121
35,673	7,488	645,629
<u>2,683,992</u>	<u>7,488</u>	<u>7,209,262</u>
-	-	166,561
-	-	229,452
-	-	301,467
-	-	310,492
1,368,632	1,036,631	3,438,103
-	-	775,000
-	-	928,766
<u>1,368,632</u>	<u>1,036,631</u>	<u>6,149,841</u>
<u>1,315,360</u>	<u>(1,029,143)</u>	<u>1,059,421</u>
-	-	100,000
(800,000)	-	(1,111,004)
-	1,730,000	1,730,000
<u>(800,000)</u>	<u>1,730,000</u>	<u>718,996</u>
515,360	700,857	1,778,417
<u>2,316,656</u>	<u>173,822</u>	<u>9,964,136</u>
<u><u>\$ 2,832,016</u></u>	<u><u>\$ 874,679</u></u>	<u><u>\$ 11,742,553</u></u>

City of Missouri City, Texas
PARKLAND DEDICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Other revenue	\$ 14,000	\$ 30,217	\$ 16,217
Total Revenues	<u>14,000</u>	<u>30,217</u>	<u>16,217</u>
Expenditures			
Current:			
Parks and recreation	<u>409,117</u>	<u>301,468</u>	<u>107,649</u>
Total Expenditures	<u>409,117</u>	<u>301,468</u>	<u>107,649</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(395,117)</u>	<u>(271,251)</u>	<u>123,866</u>
Fund Balances, Beginning	<u>1,210,395</u>	<u>1,210,395</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 815,278</u></u>	<u><u>\$ 939,144</u></u>	<u><u>\$ 123,866</u></u>

City of Missouri City, Texas
LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Other revenue	\$ 500	\$ 243,051	\$ 242,551
Total Revenues	<u>500</u>	<u>243,051</u>	<u>242,551</u>
Expenditures			
Current:			
Police	100,000	74,778	25,222
Total Expenditures	<u>100,000</u>	<u>74,778</u>	<u>25,222</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>(99,500)</u>	<u>168,273</u>	<u>267,773</u>
Fund Balances, Beginning	<u>127,813</u>	<u>127,813</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 28,313</u></u>	<u><u>\$ 296,086</u></u>	<u><u>\$ 267,773</u></u>

City of Missouri City, Texas
RADIO COMMUNICATIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Charges for Services	\$ 34,803	\$ 50,850	\$ 16,047
Other revenue	121,033	122,095	1,062
Total Revenues	<u>155,836</u>	<u>172,945</u>	<u>17,109</u>
Expenditures			
Current:			
Police	155,836	154,674	1,162
Total Expenditures	<u>155,836</u>	<u>154,674</u>	<u>1,162</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>-</u>	<u>18,271</u>	<u>18,271</u>
Fund Balances, Beginning	<u>10,983</u>	<u>10,983</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 10,983</u></u>	<u><u>\$ 29,254</u></u>	<u><u>\$ 18,271</u></u>

City of Missouri City, Texas
COURT SECURITY FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Other revenue	\$ 25,000	\$ 30,072	\$ 5,072
Total Revenues	<u>25,000</u>	<u>30,072</u>	<u>5,072</u>
Expenditures			
Current:			
General government	8,500	3,294	5,206
Total Expenditures	<u>8,500</u>	<u>3,294</u>	<u>5,206</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>16,500</u>	<u>26,778</u>	<u>10,278</u>
Fund Balances, Beginning	<u>155,242</u>	<u>155,242</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 171,742</u></u>	<u><u>\$ 182,020</u></u>	<u><u>\$ 10,278</u></u>

City of Missouri City, Texas
COURT TECHNOLOGY FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Other revenue	\$ 31,500	\$ 38,698	\$ 7,198
Total Revenues	<u>31,500</u>	<u>38,698</u>	<u>7,198</u>
Expenditures			
Current:			
General government	18,773	15,225	3,548
Total Expenditures	<u>18,773</u>	<u>15,225</u>	<u>3,548</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>12,727</u>	<u>23,473</u>	<u>10,746</u>
Fund Balances, Beginning	<u>124,297</u>	<u>124,297</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 137,024</u></u>	<u><u>\$ 147,770</u></u>	<u><u>\$ 10,746</u></u>

City of Missouri City, Texas
MISSOURI CITY TV FACILITY & EQUIPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Franchise fees	140,000	144,121	4,121
Other revenue	500	2,004	1,504
Total Revenues	<u>140,500</u>	<u>146,125</u>	<u>5,625</u>
Expenditures			
Current:			
General government	124,259	106,945	17,314
Total Expenditures	<u>124,259</u>	<u>106,945</u>	<u>17,314</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>16,241</u>	<u>39,180</u>	<u>22,939</u>
Fund Balances, Beginning	<u>141,068</u>	<u>141,068</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 157,309</u>	<u>\$ 180,248</u>	<u>\$ 22,939</u>

City of Missouri City, Texas
COURT JUVENILE CASE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Other revenue	\$ 35,300	\$ 44,332	\$ (9,032)
Total Revenues	<u>35,300</u>	<u>44,332</u>	<u>(9,032)</u>
Expenditures			
Current:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources			
Transfers (to) other funds	(35,000)	(44,300)	(9,300)
Total Other Financing Sources	<u>(35,000)</u>	<u>(44,300)</u>	<u>(9,300)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>300</u>	<u>32</u>	<u>(268)</u>
Fund Balances, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 300</u></u>	<u><u>\$ 32</u></u>	<u><u>\$ (268)</u></u>

City of Missouri City, Texas
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Intergovernmental revenues	559,296	309,403	(249,893)
Total Revenues	<u>559,296</u>	<u>309,403</u>	<u>(249,893)</u>
Expenditures			
Current:			
Planning	559,296	309,403	249,893
Total Expenditures	<u>559,296</u>	<u>309,403</u>	<u>249,893</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning	<u>-</u>	<u>4,346</u>	<u>4,346</u>
Fund Balances, Ending	<u><u>\$ -</u></u>	<u><u>\$ 4,346</u></u>	<u><u>\$ 4,346</u></u>

City of Missouri City, Texas
TAX INCREMENT REINVESTMENT ZONE #1 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		
	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Property taxes	\$ 759,530	\$ 693,035	\$ (66,495)
Other	30,000	4,655	(25,345)
Total Revenues	<u>789,530</u>	<u>697,690</u>	<u>(91,840)</u>
Expenditures			
Current:			
General government	1,999	1,855	144
Capital Outlay	234,972	215,237	19,735
Debt Service:			
Principal	255,000	255,000	-
Interest & Fiscal Charges	245,581	245,580	1
Total Expenditures	<u>737,552</u>	<u>717,672</u>	<u>19,880</u>
Excess of Revenues Over Expenditures	<u>51,978</u>	<u>(19,982)</u>	<u>(71,960)</u>
Other Financing Sources			
Transfers (to) other funds	(41,754)	(40,895)	859
Total Other Financing Sources (Uses)	<u>(41,754)</u>	<u>(40,895)</u>	<u>859</u>
Change in Fund Balance	10,224	(60,877)	(71,101)
Fund Balances, Beginning	<u>595,901</u>	<u>595,901</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 606,125</u></u>	<u><u>\$ 535,024</u></u>	<u><u>\$ (71,101)</u></u>

City of Missouri City, Texas
TAX INCREMENT REINVESTMENT ZONE #2 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Property taxes	\$ 1,179,377	\$ 1,069,109	\$ (110,268)
Other	30,000	50,331	20,331
Total Revenues	<u>1,209,377</u>	<u>1,119,440</u>	<u>(89,937)</u>
Expenditures			
Current:			
General government	-	39,242	(39,242)
Debt Service			
Principal	260,000	410,000	(150,000)
Interest and fiscal charges	178,313	178,812	(499)
Total Expenditures	<u>438,313</u>	<u>628,054</u>	<u>(189,741)</u>
Excess of Revenues			
Over Expenditures	<u>771,064</u>	<u>491,386</u>	<u>(279,678)</u>
Other Financing Sources (Uses)			
Transfers (to) other funds	(55,344)	(51,154)	4,190
Total Other Financing Sources	<u>(55,344)</u>	<u>(51,154)</u>	<u>4,190</u>
Change in Fund Balance	715,720	440,232	(275,488)
Fund Balances, Beginning	<u>2,865,216</u>	<u>2,865,216</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 3,580,936</u></u>	<u><u>\$ 3,305,448</u></u>	<u><u>\$ (275,488)</u></u>

City of Missouri City, Texas
TAX INCREMENT ZONE #3 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Property taxes	\$ 779,325	\$ 729,352	\$ (49,973)
Intergovernmental revenues	40,675	51,792	11,117
Other	5,000	17,594	12,594
Total Revenues	<u>825,000</u>	<u>798,738</u>	<u>(26,262)</u>
Expenditures			
Current:			
Planning	13,808	47	13,761
Capital Outlay	336,215	817,603	(481,388)
Total Expenditures	<u>350,023</u>	<u>817,650</u>	<u>(467,627)</u>
Excess of Revenues Over Expenditures	<u>474,977</u>	<u>(18,912)</u>	<u>(493,889)</u>
Other Financing Sources			
Transfers (to) other funds	(20,000)	(34,655)	(14,655)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(34,655)</u>	<u>(14,655)</u>
Change in Fund Balance	454,977	(53,567)	(508,544)
Fund Balances, Beginning	<u>1,150,292</u>	<u>1,150,292</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 1,605,269</u></u>	<u><u>\$ 1,096,725</u></u>	<u><u>\$ (508,544)</u></u>

City of Missouri City, Texas
DEVELOPMENT AUTHORITY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		Variance
	Final Budget	GAAP Actual	Positive (Negative)
Revenues			
Intergovernmental revenues	\$ -	\$ -	\$ -
Total Revenues	-	-	-
Expenditures			
Current:			
Total Expenditures	-	-	-
(Deficiency) of Revenues			
(Under) Expenditures	-	-	-
Other Financing Sources			
Transfers from other funds	100,000	100,000	-
Transfers (to) other funds	(100,000)	(100,000)	-
Change in Fund Balance	-	-	-
Fund Balances, Beginning	-	-	-
Fund Balances, Ending	\$ -	\$ -	\$ -

City of Missouri City, Texas
PUBLIC IMPROVEMENT DISTRICT #2 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		
	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for Services	\$ 478,895	\$ 495,395	\$ 16,500
Other	5,000	18,042	13,042
Total Revenues	<u>483,895</u>	<u>513,437</u>	<u>29,542</u>
Expenditures			
Current:			
Planning	-	542	(542)
Debt Service			
Principal	-	90,000	(90,000)
Interest and fiscal charges	-	237,875	(237,875)
Total Expenditures	<u>-</u>	<u>328,417</u>	<u>(328,417)</u>
Excess of Revenues Over Expenditures	<u>483,895</u>	<u>185,020</u>	<u>(298,875)</u>
Other Financing Sources			
Transfers (to) other funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Change in Fund Balance	463,895	165,020	(298,875)
Fund Balances, Beginning	<u>1,003,714</u>	<u>1,003,714</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 1,467,609</u></u>	<u><u>\$ 1,168,734</u></u>	<u><u>\$ (298,875)</u></u>

City of Missouri City, Texas
PUBLIC IMPROVEMENT DISTRICT #4 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012		
	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 361,492	\$ 372,257	\$ 10,765
Other	500	1,377	877
Total Revenues	<u>361,992</u>	<u>373,634</u>	<u>11,642</u>
Expenditures			
Current:			
Planning	-	500	(500)
Debt service:			
Principal	20,000	20,000	-
Interest and fiscal charges	266,499	266,499	-
Total Expenditures	<u>286,499</u>	<u>286,999</u>	<u>(500)</u>
Excess of Revenues Over Expenditures	<u>75,493</u>	<u>86,635</u>	<u>11,142</u>
Other Financing Sources			
Transfers (to) other funds	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Change in Fund Balance	55,493	66,635	11,142
Fund Balances, Beginning	<u>84,392</u>	<u>84,392</u>	<u>-</u>
Fund Balances, Ending	<u><u>\$ 139,885</u></u>	<u><u>\$ 151,027</u></u>	<u><u>\$ 11,142</u></u>

CITY OF MISSOURI CITY, TEXAS
METRO FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Intergovernmental revenues	\$ 2,400,000	\$ 2,648,319	\$ 248,319
Other revenue	-	35,673	35,673
Total revenues	<u>2,400,000</u>	<u>2,683,992</u>	<u>283,992</u>
Expenditures			
Current:			
Capital outlay	<u>163,131</u>	<u>1,368,632</u>	<u>(1,205,501)</u>
Total expenditures	<u>163,131</u>	<u>1,368,632</u>	<u>(1,205,501)</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	2,236,869	1,315,360	(921,509)
Other Financing Sources (Uses)			
Transfers (to) other funds	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(800,000)</u>	<u>(800,000)</u>	<u>-</u>
Net Change in Fund Balance	1,436,869	515,360	(921,509)
Fund Balances, Beginning	<u>2,316,656</u>	<u>2,316,656</u>	<u>-</u>
Fund balances, Ending	<u><u>\$ 3,753,525</u></u>	<u><u>\$ 2,832,016</u></u>	<u><u>\$ (921,509)</u></u>

CITY OF MISSOURI CITY, TEXAS
CERTIFICATES OF OBLIGATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	<u>Final Budget</u>	<u>GAAP Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Other revenue	\$ 500	\$ 7,488	\$ 6,988
Total revenues	<u>500</u>	<u>7,488</u>	<u>6,988</u>
Expenditures			
Current:			
Capital outlay	(602,279)	1,036,631	(1,638,910)
Total expenditures	<u>(602,279)</u>	<u>1,036,631</u>	<u>(1,638,910)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	602,779	(1,029,143)	(1,631,922)
Other Financing Sources (Uses)			
Issuance of debt	1,730,000	1,730,000	-
Total Other Financing Sources (Uses)	<u>1,730,000</u>	<u>1,730,000</u>	<u>-</u>
Change in Fund Balance	2,332,779	700,857	(1,631,922)
Fund Balances, Beginning	<u>173,822</u>	<u>173,822</u>	<u>-</u>
Fund balances, Ending	<u><u>\$ 2,506,601</u></u>	<u><u>\$ 874,679</u></u>	<u><u>\$ (1,631,922)</u></u>

City of Missouri City, Texas
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2012

	2012			
	Final Budget	Actual	Variance Positive (Negative)	2011 Actual
Revenues				
Property Taxes and Penalties:				
Property taxes - current	\$ 7,274,344	\$ 7,093,284	\$ (181,060)	\$ 7,300,983
Property taxes - delinquent	250,000	143,045	(106,955)	178,914
Penalties and interest	75,000	68,663	(6,337)	85,618
Total Property Taxes and Penalties	7,599,344	7,304,992	(294,352)	7,565,515
Other Revenues				
Investment earnings	160,000	116,411	(43,589)	30,193
Other	-	1,844,435	1,844,435	1,892,146
Total Other Revenues	160,000	1,960,846	1,800,846	1,922,339
Total Revenues	<u>7,759,344</u>	<u>9,265,838</u>	<u>1,506,494</u>	<u>9,487,854</u>
Expenditures				
Debt Service:				
Principal retirement	6,139,569	5,796,174	343,395	4,863,893
Interest and fiscal agent fees	3,698,608	3,361,690	336,918	3,547,743
Total Expenditures	<u>9,838,177</u>	<u>9,157,864</u>	<u>680,313</u>	<u>8,411,636</u>
Excess of Revenues				
Over Expenditures	<u>(2,078,833)</u>	<u>107,974</u>	<u>2,186,807</u>	<u>1,076,218</u>
Other Financing Sources (Uses)				
Transfers from other funds	310,124	310,124	-	301,913
Total Other Financing Sources (Uses)	<u>310,124</u>	<u>310,124</u>	<u>-</u>	<u>301,913</u>
Change in Fund Balance	<u>(1,768,709)</u>	<u>418,098</u>	<u>2,186,807</u>	<u>1,378,131</u>
Fund Balances - Beginning	<u>6,286,811</u>	<u>6,286,811</u>	<u>-</u>	<u>4,908,682</u>
Fund Balances - Ending	<u>\$ 4,518,102</u>	<u>\$ 6,704,909</u>	<u>\$ 2,186,807</u>	<u>\$ 6,286,813</u>

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City of Missouri City, Texas
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	Fleet Maintenance Fund	IT Maintenance Fund	Building Maintenance Fund	Fleet Replacement Fund	IT Replacement Fund	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ -	\$ -	\$ 3,648	\$ 54,162	\$ 48,259	\$ 106,068
Investments	-	-	22,891	339,849	302,813	665,554
Receivables, other net of allowance	218	-	-	-	-	218
Inventories	143,797	-	-	-	-	143,797
Due from other funds	8,200	238,149	-	-	-	246,349
Total Current Assets	<u>152,215</u>	<u>238,149</u>	<u>26,539</u>	<u>394,011</u>	<u>351,072</u>	<u>1,161,986</u>
Noncurrent Assets:						
Capital assets net of depreciation:						
Equipment	-	-	-	7,276,492	2,965,849	10,242,341
Less accumulated depreciation	-	-	-	(4,997,606)	(2,437,456)	(7,435,062)
Total Capital Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,278,886</u>	<u>528,393</u>	<u>2,807,279</u>
Total Assets	<u>\$ 152,215</u>	<u>\$ 238,149</u>	<u>\$ 26,539</u>	<u>\$ 2,672,897</u>	<u>\$ 879,465</u>	<u>\$ 3,969,265</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 39,929	\$ 115,776	\$ 24,200	\$ 3,006	\$ -	\$ 182,911
Due to other funds	96,885	9,448	1,079	8,200	238,149	353,761
Total Current Liabilities	<u>136,814</u>	<u>125,224</u>	<u>25,279</u>	<u>11,206</u>	<u>238,149</u>	<u>536,672</u>
Noncurrent Liabilities:						
Accrued compensation absences	17,754	15,244	16,049	-	-	49,047
Total Noncurrent Liabilities	<u>17,754</u>	<u>15,244</u>	<u>16,049</u>	<u>-</u>	<u>-</u>	<u>49,047</u>
Total Liabilities	<u>154,568</u>	<u>140,468</u>	<u>41,328</u>	<u>11,206</u>	<u>238,149</u>	<u>585,719</u>
Net Assets						
Invested in capital assets	-	-	-	2,278,886	528,393	2,807,279
Unrestricted	(2,353)	97,681	(14,789)	382,805	112,923	576,267
Total Net Assets	<u>(2,353)</u>	<u>97,681</u>	<u>(14,789)</u>	<u>2,661,691</u>	<u>641,316</u>	<u>3,383,546</u>
Total Liabilities and Net Assets	<u>\$ 152,215</u>	<u>\$ 238,149</u>	<u>\$ 26,539</u>	<u>\$ 2,672,897</u>	<u>\$ 879,465</u>	<u>\$ 3,969,265</u>

City of Missouri City, Texas
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012

	Fleet Maintenance Fund	IT Maintenance Fund	Building Maintenance Fund	Fleet Replacement Fund	IT Replacement Fund	Total
Operating Revenues						
Charges for Services	\$ 749,064	\$ 1,436,963	\$ 1,213,752	\$ 319,773	\$ 218,461	\$ 3,938,013
Total Operating Revenues	<u>749,064</u>	<u>1,436,963</u>	<u>1,213,752</u>	<u>319,773</u>	<u>218,461</u>	<u>3,938,013</u>
Operating Expenses						
Personnel	223,533	591,918	266,027	-	-	1,081,478
Commodities	420,277	185,116	132,887	48,526	4,750	791,556
Contractual services	147,538	1,044,618	862,798	6,077	233,836	2,294,867
Other services	1,738	2,768	1,611	-	-	6,117
Depreciation	-	-	-	578,432	259,643	838,075
Total Operating Expenses	<u>793,086</u>	<u>1,824,420</u>	<u>1,263,323</u>	<u>633,035</u>	<u>498,229</u>	<u>5,012,093</u>
Operating Income (Loss)	(44,022)	(387,457)	(49,571)	(313,262)	(279,768)	(1,074,080)
Non-Operating Revenues						
Investment Earnings	-	5,329	1,989	4,754	7,218	19,290
Gain (loss) on sale of capital assets	2,592	-	-	-	-	2,592
Insurance reimbursements	28,942	-	7,374	2,520	-	38,836
Total Non-Operating Revenues	<u>31,534</u>	<u>5,329</u>	<u>9,363</u>	<u>(6,759)</u>	<u>7,218</u>	<u>60,718</u>
Income (Loss) Before Contributions	(12,488)	(382,128)	(40,208)	(320,021)	(272,550)	(1,013,362)
Contributions						
Capital contributions	-	-	-	(13,950)	-	(13,950)
Transfers (to) from other funds	-	(11,610)	-	-	11,610	-
Total Contributions	<u>-</u>	<u>(11,610)</u>	<u>-</u>	<u>(13,950)</u>	<u>11,610</u>	<u>(13,950)</u>
Change in Net Assets	(12,488)	(393,738)	(40,208)	(319,938)	(260,940)	(1,027,312)
Net assets, beginning	10,135	491,419	25,419	2,981,629	902,256	4,410,858
Net assets, Ending	<u>\$ (2,353)</u>	<u>\$ 97,681</u>	<u>\$ (14,789)</u>	<u>\$ 2,661,691</u>	<u>\$ 641,316</u>	<u>\$ 3,383,546</u>

City of Missouri City, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Fleet Maintenance Fund	IT Maintenance Fund	Building Maintenance Fund	Fleet Replacement Fund	IT Replacement Fund	Total
Cash Flows from Operating Activities						
Disbursed for personnel services	(222,341)	(589,633)	(260,752)	-	-	(1,072,726)
Disbursed for goods and services to suppliers	(558,037)	(1,136,739)	(1,040,506)	(51,597)	(238,586)	(3,025,465)
Receipts from customers	749,063	1,436,963	1,213,752	319,773	218,461	3,938,012
Net Cash Provided (Used) by Operating Activities	(31,315)	(289,409)	(87,506)	268,176	(20,125)	(160,179)
Cash Flows from Capital & Related Financing Activities						
Transfers (to) from other funds	-	(11,610)	-	-	11,610	-
Advances from other funds	(218)	-	-	-	-	(218)
Insurance reimbursement	28,941	-	7,376	2,520	-	38,836
Proceeds from disposal of assets	2,592	-	-	-	-	2,592
Purchases of equipment	-	-	-	(242,014)	(11,610)	(253,624)
Net Cash (Used) by Capital & Related Financing Activities	31,315	(11,610)	7,376	(239,494)	-	(212,414)
Cash Flows from Investing Activities						
Interest received	-	5,329	1,989	4,754	7,218	19,290
(Purchase) Sale of Investments	-	228,426	57,976	(61,298)	(21,632)	203,472
Net Cash Provided by Investing Activities	-	233,755	59,965	(56,544)	(14,414)	222,762
Net Increase (Decrease) in Cash and Cash Equivalents	-	(67,264)	(20,165)	(27,862)	(34,539)	(149,831)
Cash and Cash Equivalents, Beginning	-	67,264	23,813	82,024	82,798	255,899
Cash and Cash Equivalents, Ending	-	-	3,648	54,162	48,259	106,068
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	(44,022)	(387,457)	(49,571)	(313,262)	(279,768)	(1,074,080)
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation	-	-	-	578,432	259,643	838,075
(Increase) in inventories	(29,741)	-	-	-	-	(29,741)
Increase (Decrease) in accounts payable	(5,819)	87,288	(41,591)	3,006	-	42,885
Increase in due to other funds	49,287	9,448	-	-	-	58,735
(Decrease) increase in compensated absences payable	(1,020)	1,312	3,655	-	-	3,947
Total adjustments	12,707	98,048	(37,936)	581,438	259,643	913,901
Net Cash Provided (Used) by Operating Activities	(31,315)	(289,409)	(87,506)	268,176	(20,125)	(160,179)
Noncash Investing, Capital and Financing Activities:						
Capital asset contributions from governmental funds	-	-	-	-	-	-

City of Missouri City, Texas
STATEMENT OF NET ASSETS
OTHER NONMAJOR PROPRIETARY FUNDS
June 30, 2012

	Missouri City Recreation and Leisure LGC	Solid Waste Collections	Hotel Occupancy Tax Fund	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 134,401	\$ -	\$ -	\$ 134,401
Investments	1,550	-	-	1,550
Other receivables, net of allowance	5,644	356,888	13,035	375,567
Inventories	116,622	-	-	116,622
Restricted cash and cash equivalents	-	-	1,392	1,392
Restricted investments			8,736	8,736
Total Current Assets	<u>258,217</u>	<u>356,888</u>	<u>23,163</u>	<u>638,268</u>
Noncurrent Assets:				
Capital assets:				
Equipment	5,898	-	-	5,898
Less accumulated depreciation	<u>(1,769)</u>	<u>-</u>	<u>-</u>	<u>(1,769)</u>
Total Noncurrent Assets	<u>4,129</u>	<u>-</u>	<u>-</u>	<u>4,129</u>
Total Assets	<u>\$ 262,346</u>	<u>\$ 356,888</u>	<u>\$ 23,163</u>	<u>\$ 642,397</u>
Liabilities				
Current liabilities:				
Accounts payable and other current liabilities	\$ 83,429	\$ 166	\$ -	\$ 83,595
Due to other funds	<u>5,997</u>	<u>169,051</u>	<u>-</u>	<u>175,048</u>
Total Current Liabilities	<u>89,426</u>	<u>169,217</u>	<u>-</u>	<u>258,643</u>
Total Liabilities	<u>89,426</u>	<u>169,217</u>	<u>-</u>	<u>258,643</u>
Net Assets				
Unrestricted	<u>172,920</u>	<u>187,671</u>	<u>23,163</u>	<u>383,754</u>
Total Net Assets	<u>172,920</u>	<u>187,671</u>	<u>23,163</u>	<u>383,754</u>
Total Liabilities and Net Assets	<u>\$ 262,346</u>	<u>\$ 356,888</u>	<u>\$ 23,163</u>	<u>\$ 642,397</u>

CITY OF MISSOURI CITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
OTHER NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Missouri City Recreation and Leisure LGC	Solid Waste Collections	Hotel Occupancy Tax Fund	Total
Operating Revenues				
Charges for Services	\$ 2,709,167	\$ 2,528,098	\$ 23,170	\$ 5,260,435
Total Operating Revenues	<u>2,709,167</u>	<u>2,528,098</u>	<u>23,170</u>	<u>5,260,435</u>
Operating Expenses				
Personnel	540,934	-	-	540,934
Commodities	482,859	-	-	482,859
Contractual services	1,516,540	2,522,659	7	4,039,206
Other services	113,324	-	-	113,324
Depreciation	1,180	-	-	1,180
Total Operating Expenses	<u>2,654,837</u>	<u>2,522,659</u>	<u>7</u>	<u>5,177,503</u>
Operating Income (Loss)	<u>54,330</u>	<u>5,439</u>	<u>23,163</u>	<u>82,932</u>
Non-Operating Revenues (Expenses)				
Investment Earnings	<u>50</u>	<u>1,356</u>	<u>-</u>	<u>1,406</u>
Total Non-Operating Revenues	<u>50</u>	<u>1,356</u>	<u>-</u>	<u>1,406</u>
Change in Net Assets	<u>54,380</u>	<u>6,795</u>	<u>23,163</u>	<u>84,338</u>
Net assets, beginning	<u>118,540</u>	<u>180,876</u>	<u>-</u>	<u>299,416</u>
Net assets, Ending	<u><u>\$ 172,920</u></u>	<u><u>\$ 187,671</u></u>	<u><u>\$ 23,163</u></u>	<u><u>\$ 383,754</u></u>

City of Missouri City, Texas
STATEMENT OF CASH FLOWS
OTHER NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Missouri City Recreation and Leisure LGC	Solid Waste Collections	Hotel Occupancy Tax Fund	Total
Cash Flows from Operating Activities				
Receipts from customers and users	2,705,831	2,410,050	10,135	5,126,016
Disbursed for personnel services	(543,942)	-	-	(543,942)
Disbursed for good and services to suppliers	(2,094,874)	(2,411,406)	(7)	(4,506,287)
Net Cash Provided (Used) by Operating Activities	67,015	(1,356)	10,128	75,787
Cash Flows From Noncapital Financing Activities				
Net Cash Provided by Noncapital Financial Activities	-	-	-	-
Cash Flows from Capital & Related Financing Activities				
Net Cash (Used) by Capital & Related Financing Activities	-	-	-	-
Cash Flows from Investing Activities				
Interest Received	50	1,356	-	1,406
Purchase of investments	(1,550)	-	(8,736)	(10,286)
Net Cash Provided by Investing Activities	(1,500)	1,356	(8,736)	(8,880)
Net Increase (Decrease) in Cash and Cash Equivalents	65,515	-	1,392	66,907
Cash and cash equivalents, beginning	68,886	-	-	68,886
Cash and Cash Equivalents, Ending	134,401	-	1,392	135,793

City of Missouri City, Texas
STATEMENT OF CASH FLOWS
OTHER NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Missouri City Recreation and Leisure LGC	Solid Waste Collections	Hotel Occupancy Tax Fund	Total
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 54,330	\$ 5,439	\$ 23,163	\$ 82,932
Adjustments to reconcile operating income to net cash used by operating activities:				
Depreciation	1,180	-	-	1,180
(Increase) decrease in accounts receivable	(3,336)	(118,049)	(13,035)	(134,420)
(Increase) in inventories	(18,695)	-	-	(18,695)
Increase (Decrease) in accounts payable	29,357	(225)	-	29,132
Increase (decrease) in due to other funds	4,177	111,479	-	115,658
Total adjustments	12,683	(6,795)	(13,035)	(7,145)
Net Cash Provided by Operating Activities	<u>\$ 67,013</u>	<u>\$ (1,356)</u>	<u>\$ 10,128</u>	<u>\$ 75,787</u>
Breakdown of Restricted and Unrestricted				
Cash and Cash Equivalents:				
Restricted	-	-	1,392	1,392
Unrestricted	134,401	-	-	134,401
Total	<u>\$ 134,401</u>	<u>\$ -</u>	<u>\$ 1,392</u>	<u>\$ 135,793</u>
Noncash Investing, Capital and Financing Activities:				
Capital asset contributions from governmental funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	112
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	124
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	
Debt Capacity	128
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	134
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	138
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources - Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

City of Missouri City, Texas

NET ASSETS BY COMPONENT

Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007*</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 28,976,124	\$ 25,968,369	\$ 26,653,131	\$ 31,755,001	\$ 89,856,930
Restricted	5,267,331	6,366,009	5,983,012	7,416,005	14,204,539
Unrestricted	593,813	5,633,838	7,754,289	8,461,730	4,333,557
Total Governmental Activities Net Assets	<u>\$ 34,837,268</u>	<u>\$ 37,968,216</u>	<u>\$ 40,390,432</u>	<u>\$ 47,632,736</u>	<u>\$ 108,395,026</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$	\$	\$ 179,633	\$ 822,294	\$ 1,201,161
Restricted					
Unrestricted					
Total Business-type Activities Net Assets	<u>\$</u>	<u>\$</u>	<u>\$ 179,633</u>	<u>\$ 822,294</u>	<u>\$ 1,201,161</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 28,976,124	\$ 25,968,369	\$ 26,832,764	\$ 32,577,295	\$ 91,058,091
Restricted	5,267,331	6,366,009	5,983,012	7,416,005	14,204,539
Unrestricted	593,813	5,633,838	7,754,289	8,461,730	4,333,557
Total Primary Government Net Assets	<u>\$ 34,837,268</u>	<u>\$ 37,968,216</u>	<u>\$ 40,570,065</u>	<u>\$ 48,455,030</u>	<u>\$ 109,596,187</u>

* - 2007 includes the phase-in of street infrastructure.

Table 1

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 81,581,383	\$ 61,284,054	\$ 83,919,838	\$ 90,854,187	\$ 112,072,157
11,734,443	13,202,591	15,252,973	15,820,812	17,692,029
11,181,519	16,348,076	9,244,344	8,465,006	6,554,873
\$ <u>104,497,345</u>	\$ <u>90,834,721</u>	\$ <u>108,417,155</u>	\$ <u>115,140,005</u>	\$ <u>136,319,059</u>
\$ 6,282,426	\$ 8,561,629	\$ 9,847,115	\$ 16,338,112	\$ 19,054,462
1,174,084	14,749,488	12,560,142	10,223,549	10,721,258
171,021	1,320,290	4,822,761	3,222,763	6,019,700
\$ <u>7,627,531</u>	\$ <u>24,631,407</u>	\$ <u>27,230,018</u>	\$ <u>29,784,424</u>	\$ <u>35,795,420</u>
\$ 87,863,809	\$ 69,845,683	\$ 93,766,953	\$ 107,192,299	\$ 131,126,619
12,908,527	27,952,079	27,813,115	26,044,361	28,413,287
11,352,540	17,668,366	14,067,105	11,687,769	12,574,573
\$ <u>112,124,876</u>	\$ <u>115,466,128</u>	\$ <u>135,647,173</u>	\$ <u>144,924,429</u>	\$ <u>172,114,479</u>

City of Missouri City, Texas

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007
Expenses					
Governmental Activities					
General government	\$ 2,647,611	\$ 2,480,077	\$ 2,455,859	\$ 2,919,470	\$ 4,354,109
Finance	1,558,950	1,822,138	1,865,724	1,747,296	1,637,097
Police	6,262,146	7,261,563	7,311,441	7,950,860	8,900,695
Fire	4,075,583	4,878,403	5,210,712	5,222,855	5,603,426
Public works	2,391,712	5,784,837	8,851,534	6,107,027	10,404,096
Parks and recreation	1,915,612	2,289,576	2,143,237	2,128,682	2,374,541
Planning	1,431,688	1,938,591	2,019,227	2,340,174	2,093,565
Other	3,561,160				
Interest and fiscal agent fees on long-term debt	1,513,932	1,395,337	1,740,479	1,777,061	1,917,013
Total Governmental Activities Expenses	25,358,394	27,850,522	31,598,213	30,193,425	37,284,542
Business-type activities					
Water and Wastewater Utilities					30,665
Surface Water Utility Fund					
Other Funds					
Total Business-type Activities Expenses					30,665
Total Primary Government Expenses	\$ 25,358,394	\$ 27,850,522	\$ 31,598,213	\$ 30,193,425	\$ 37,315,207
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$	\$	\$	\$	\$
Finance	2,812				
Police	1,074,763	836,621	903,071	796,261	1,048,633
Fire	286,393				
Public works	87,658	439,267	565,385	542,290	797,821
Parks and recreation	164,657				
Planning	2,450,898	2,374,827	2,428,923	1,927,532	1,989,589
Operating grants and contributions	3,063,704	4,523,162	4,603,575	5,587,507	5,572,183
Capital grants and contributions					13,773,226
Total Governmental Activities Program Revenues	7,130,885	8,173,877	8,500,954	8,853,590	23,181,452
Business-type Activities					
Charges for services:					
Water and Wastewater Utilities					
Surface Water Utility Fund					
Other Enterprise Funds					
Operating grants and contributions					
Capital grants and contributions					
Total Business-type Activities Program Revenues					
Total Primary Government Program Revenues	\$ 7,130,885	\$ 8,173,877	\$ 8,500,954	\$ 8,853,590	\$ 23,181,452
Net (Expense)/Revenue					
Governmental activities	\$ (18,227,509)	\$ (19,676,645)	\$ (23,097,259)	\$ (21,339,835)	\$ (14,103,090)
Business-type activities					(30,665)
Total Primary Government Net Expense	\$ (18,227,509)	\$ (19,676,645)	\$ (23,097,259)	\$ (21,339,835)	\$ (14,133,755)

Table 2 (Page 1 of 2)

2008	2009	2010	2011	2012
\$ 993,549	\$ 6,422,236	\$ 4,656,737	\$ 4,257,336	\$ 4,005,420
2,305,040	2,663,164	2,514,696	1,811,994	1,727,595
11,339,922	10,980,913	10,292,595	11,357,484	12,359,028
7,023,058	6,608,560	6,607,916	6,535,135	7,123,068
9,176,624	7,828,700	8,027,165	9,613,495	9,804,954
3,624,273	5,028,950	3,074,830	3,194,143	3,603,491
2,706,843	2,565,530	1,709,211	2,680,243	2,886,938
2,404,604	3,639,743	3,720,409	4,534,779	4,353,598
39,573,913	45,737,796	40,603,559	43,984,609	45,864,092
280,567	2,952,601	1,922,907	2,706,585	2,700,460
	2,398,963	2,073,770	3,113,792	3,813,898
	2,034,704	2,257,164	4,110,042	5,177,496
280,567	7,386,269	6,253,841	9,930,419	11,691,854
\$ 39,854,480	\$ 53,124,065	\$ 46,857,400	\$ 53,915,028	\$ 57,555,946
\$ 728,075	\$	\$ 84,796	\$ 140,156	\$
1,692,839	1,477,773	1,394,146	1,326,178	1,851,731
555,284	331,350	1,191,994	1,189,702	1,006,196
2,854,138	23,870	71,292	748,294	61,365
366,368	1,718,336	252,510	173,665	192,867
2,088,559	1,417,340	1,413,497	1,449,621	2,484,366
1,404,913	3,650,069	2,613,329	1,423,400	1,977,220
	2,588,969	14,787,403	8,522,316	24,370,740
9,690,176	11,207,707	21,808,967	14,973,332	31,944,485
606,350	1,503,578	1,461,042	1,996,039	2,345,138
	2,823,077	4,716,891	6,114,915	7,315,810
	1,591,869	2,046,588	4,336,077	5,237,265
	194,767	44,478	784,711	735,558
	3,827,735		251,532	1,931,950
606,350	9,941,026	8,268,999	13,483,274	17,565,721
\$ 10,296,526	\$ 21,148,733	\$ 30,077,966	\$ 28,456,606	\$ 49,510,206
\$ (29,883,737)	\$ (34,530,090)	\$ (18,794,592)	\$ (29,011,278)	\$ (13,919,607)
325,783	2,554,757	2,015,159	3,552,855	5,873,867
\$ (29,557,954)	\$ (31,975,332)	\$ (16,779,433)	\$ (25,458,423)	\$ (8,045,739)

City of Missouri City, Texas

CHANGES IN NET ASSETS

Last Ten Fiscal Years
(accrual basis of accounting)

	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities					
Taxes					
Property taxes	\$ 14,248,111	\$ 15,869,579	\$ 17,168,429	\$ 18,600,340	\$ 19,916,531
Sales taxes	3,665,575	3,875,756	4,796,724	5,513,169	5,475,943
Franchise fees	2,507,228	2,673,264	2,862,229	2,922,538	2,886,007
Investment earnings		213,997	615,235	1,274,266	1,886,671
Miscellaneous	643,237	174,997	116,858	356,576	138,346
Transfers			(40,000)	(84,750)	(44,024)
Total Governmental Activities	<u>21,064,151</u>	<u>22,807,593</u>	<u>25,519,475</u>	<u>28,582,139</u>	<u>30,259,474</u>
Business-type Activities					
Sales Taxes					
Investment earnings			16,782	51,175	82,342
Other revenues			122,851	506,736	283,166
Transfers			40,000	84,750	44,024
Total Business-type Activities			<u>179,633</u>	<u>642,661</u>	<u>409,532</u>
Total Primary Government	<u>\$ 21,064,151</u>	<u>\$ 22,807,593</u>	<u>\$ 25,699,108</u>	<u>\$ 29,224,800</u>	<u>\$ 30,669,006</u>
Change in Net Assets					
Governmental activities	\$ 2,836,642	\$ 3,130,948	\$ 2,422,216	\$ 7,242,304	\$ 16,156,384
Business-type activities			179,633	642,661	378,867
Total Primary Government	<u>\$ 2,836,642</u>	<u>\$ 3,130,948</u>	<u>\$ 2,601,849</u>	<u>\$ 7,884,965</u>	<u>\$ 16,535,251</u>

Table 2 (Page 2 of 2)

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 21,151,989	\$ 23,404,548	\$ 25,175,634	\$ 24,693,069	\$ 24,054,499
5,621,917	6,170,586	5,910,970	5,926,280	6,249,961
2,875,964	3,056,069	3,343,939	3,230,284	3,404,612
1,813,450	1,486,422	998,930	59,195	830,936
1,109,680	252,985	745,745	417,443	98,530
288,520	773,010	201,809	1,407,857	460,124
<u>32,861,520</u>	<u>35,143,620</u>	<u>36,377,027</u>	<u>35,734,128</u>	<u>35,098,663</u>
				23,170
101,007	456,135	785,261	344,470	565,070
666,288	-	-	64,937	9,020
<u>(288,520)</u>	<u>(773,010)</u>	<u>(201,809)</u>	<u>(1,407,857)</u>	<u>(460,124)</u>
<u>478,775</u>	<u>(316,875)</u>	<u>583,452</u>	<u>(998,450)</u>	<u>137,136</u>
<u>\$ 33,340,295</u>	<u>\$ 34,826,745</u>	<u>\$ 36,960,479</u>	<u>\$ 34,735,678</u>	<u>\$ 35,235,799</u>
\$ 2,977,783	\$ 613,530	\$ 17,582,434	\$ 6,722,850	\$ 21,179,055
804,558	2,237,884	2,598,611	2,554,405	6,010,996
<u>\$ 3,782,341</u>	<u>\$ 2,851,414</u>	<u>\$ 20,181,045</u>	<u>\$ 9,277,255</u>	<u>\$ 27,190,051</u>

City of Missouri City, Texas

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Nonspendable	\$ 31,332	\$ 7,182	\$ 771	\$ 583	\$ 5,879
Restricted					
Committed					
Assigned					
Unassigned	<u>4,663,283</u>	<u>6,472,571</u>	<u>8,204,747</u>	<u>9,776,228</u>	<u>10,107,459</u>
Total General Fund	<u>\$ 4,694,615</u>	<u>\$ 6,479,753</u>	<u>\$ 8,205,518</u>	<u>\$ 9,776,811</u>	<u>\$ 10,113,338</u>
 All Other Governmental Funds					
Restricted	3,307,219	4,030,012	5,110,058	5,584,293	9,693,726
Assigned					
Unassigned	<u>10,173,597</u>	<u>16,480,308</u>	<u>11,025,493</u>	<u>16,879,995</u>	<u>15,417,627</u>
Total All Other Governmental Funds	<u>\$ 13,480,816</u>	<u>\$ 20,510,320</u>	<u>\$ 16,135,551</u>	<u>\$ 22,464,288</u>	<u>\$ 25,111,353</u>

Table 3

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 7,182	\$ 3,424	\$ 6,022	6,022	6,022
			383,302	585,417
<u>9,322,941</u>	<u>7,638,590</u>	<u>8,351,416</u>	<u>8,676,401</u>	<u>7,823,805</u>
\$ <u><u>9,330,123</u></u>	\$ <u><u>7,642,014</u></u>	\$ <u><u>8,357,438</u></u>	\$ <u><u>9,065,725</u></u>	\$ <u><u>8,415,244</u></u>
5,834,820	15,365,913	27,677,500	39,755,250	26,193,183
<u>23,338,175</u>	<u>21,803,060</u>	<u>5,930,341</u>	<u>39,755,250</u>	<u>26,193,183</u>
\$ <u><u>29,172,995</u></u>	\$ <u><u>37,168,973</u></u>	\$ <u><u>33,607,841</u></u>	\$ <u><u>39,755,250</u></u>	\$ <u><u>26,193,183</u></u>

City of Missouri City, Texas

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(modified accrual basis of accounting)

	2003	2004	2005	2006	2007
Revenues					
Taxes	\$ 17,856,792	\$ 19,629,472	\$ 21,865,583	\$ 23,967,336	\$ 25,246,301
Licenses and permits	2,450,898	2,374,827	2,428,923	1,927,532	1,989,589
Fines and forfeitures	714,046	836,621	903,071	796,261	1,048,633
Franchise fees	2,507,228	2,673,264	2,862,229	2,922,538	2,886,007
Intergovernmental	2,492,360	2,350,830	2,975,536	3,761,097	3,877,259
Other revenues	2,106,377	3,030,257	2,889,750	3,927,746	4,404,646
Charges for services					
Total Revenues	<u>28,127,701</u>	<u>30,895,271</u>	<u>33,925,092</u>	<u>37,302,510</u>	<u>39,452,435</u>
Expenditures					
General government	2,681,540	2,271,660	4,971,945	3,993,864	10,169,736
Finance	1,589,658	1,671,809	1,796,662	1,671,829	1,559,165
Police	6,200,998	6,725,105	7,030,591	8,110,481	8,899,084
Fire	4,308,030	4,618,559	4,959,307	4,981,593	5,413,565
Public works	3,329,853	3,480,195	4,132,408	4,405,748	4,412,631
Parks and recreation	2,104,769	2,007,020	1,920,459	1,903,299	2,209,177
Planning	1,454,342	1,874,290	1,962,882	2,313,228	2,045,548
Capital outlay	3,561,160	4,936,333	4,930,656	5,930,821	13,056,030
Debt service					
Principal	2,453,211	2,717,982	3,220,000	3,290,000	3,221,500
Interest, fiscal charges and other	1,518,890	1,403,987	1,728,880	1,767,606	1,888,383
Other charges					
Total Expenditures	<u>29,202,451</u>	<u>31,706,940</u>	<u>36,653,790</u>	<u>38,368,469</u>	<u>52,874,819</u>
(Deficiency) of Revenues					
(Under) Expenditures	(1,074,750)	(811,669)	(2,728,698)	(1,065,959)	(13,422,384)
Other Financing Sources (Uses)					
Transfers from other funds	476,681	1,562,178	2,243,438	1,281,097	2,528,608
Transfers (to) other funds	(1,706,713)	(1,405,867)	(2,163,744)	(1,355,108)	(2,572,632)
Issuance of debt	2,970,394	9,470,000		9,040,000	16,450,000
Proceeds of refunding bonds					
Refunding bonds paid to escrow					
Bond premium/discount					
Total Other Financing Sources (Uses)	<u>1,740,362</u>	<u>9,626,311</u>	<u>79,694</u>	<u>8,965,989</u>	<u>16,405,976</u>
Net Change in Fund Balances	<u>\$ 665,612</u>	<u>\$ 8,814,642</u>	<u>\$ (2,649,004)</u>	<u>\$ 7,900,030</u>	<u>\$ 2,983,592</u>
Debt service as a percentage of noncapital expenditures	15.4%	14.1%	14.7%	15.8%	22.1%

Table 4

2008	2009	2010	2011	2012
\$ 26,746,159	\$ 29,630,556	\$ 31,150,613	\$ 30,726,604	\$ 30,181,806
2,088,559	1,441,210	1,441,394	1,675,038	1,417,337
1,065,439	1,248,034	1,167,287	1,094,903	1,202,259
2,875,964	3,056,069	3,343,939	3,230,284	3,404,611
4,704,479	2,003,432	5,398,020	9,859,462	7,840,755
4,645,672	3,943,321	4,202,067	1,415,240	2,383,676
			1,366,475	1,164,290
42,126,272	41,322,622	46,703,320	49,368,006	47,594,734
4,516,436	5,542,848	4,253,742	3,939,181	3,988,853
2,051,702	2,344,433	2,498,124	1,703,528	1,665,912
9,205,922	9,755,727	9,734,061	10,673,346	11,416,463
6,496,014	6,294,528	6,335,680	6,275,501	6,281,297
4,577,472	4,352,584	4,213,970	3,795,224	3,832,721
2,384,739	2,587,699	2,401,477	2,269,798	2,489,545
2,298,832	2,489,090	2,200,941	2,032,676	1,948,329
9,248,373	12,287,900	29,901,641	20,357,036	21,512,507
3,821,500	4,211,514	4,930,424	5,598,893	6,571,174
2,511,643	4,212,872	4,130,980	4,694,709	4,290,606
107,130				
47,112,633	54,079,195	70,601,040	61,339,892	63,997,407
(4,986,361)	(12,756,573)	(23,897,720)	(11,971,886)	(16,402,673)
1,829,103	1,395,535	2,105,563	2,310,617	1,571,128
(1,540,583)	(708,194)	(1,527,736)	(1,059,888)	(1,111,004)
8,095,000	21,084,994	20,390,000	17,300,000	1,730,000
		12,325,000		
		(12,506,000)		
62,130	242,464	265,185	276,852	
8,445,650	22,014,799	21,052,012	18,827,581	2,190,124
\$ 3,459,289	\$ 9,258,226	\$ (2,845,708)	\$ 6,855,695	\$ (14,212,549)
16.1%	20.7%	31.7%	16.8%	17.0%

Table 5

City of Missouri City, Texas
ASSESSED VALUE AND ESTIMATED VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Commercial Property	Personal Property	Less: Tax-Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate
2003	\$ 2,365,793,731	\$ 509,906,020	\$ 114,723,334	\$ 228,411,697	\$ 2,762,011,388	0.41460
2004	2,631,491,851	543,437,640	139,288,902	252,973,574	3,061,244,819	0.51000
2005	2,831,974,571	558,095,710	178,718,122	252,005,517	3,316,782,886	0.50165
2006	3,086,658,725	621,795,390	186,273,880	273,020,297	3,621,707,698	0.49800
2007	3,242,481,797	681,368,221	192,448,831	276,526,487	3,839,772,362	0.49450
2008	3,373,152,110	853,848,571	224,503,642	328,282,481	4,123,221,842	0.49926
2009	3,556,035,984	995,874,085	219,067,020	356,586,213	4,414,390,876	0.51724
2010	3,553,265,304	1,079,112,582	222,974,938	402,163,149	4,453,189,675	0.52840
2011	3,507,174,930	1,042,709,883	249,976,257	420,384,596	4,379,476,474	0.52840
2012	3,380,198,444	1,035,957,512	253,710,761	414,654,210	4,255,212,507	0.52840

Source - Tax assessor/collector's records.

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

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City of Missouri City, Texas
PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS (1)
Last Ten Fiscal Years

FORT BEND COUNTY

Fiscal Year	Blue Ridge West MUD		Fort Bend MUD #26		Fort Bend Co. WCID #2		Meadowcreek MUD		Quail Valley UD		Palmer Plant. MUD #1		First Colony MUD #9		Palmer Plant. MUD #2		MUD #49	
	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate
2003	\$ 0.55	\$ 3.36	\$ 0.77	\$ 3.58	\$ 0.16	\$ 2.97	\$ 0.42	\$ 3.23	\$ 0.28	\$ 3.09	\$ 0.81	\$ 3.62	\$ 0.44	\$ 3.46	\$ 0.78	\$ 3.59	\$ 0.86	\$ 3.67
2004	0.55	3.20	0.77	3.42	0.16	2.81	0.42	3.07	0.28	2.93	0.79	3.44	0.41	3.26	0.68	3.33	0.84	3.49
2005	0.49	2.85	0.77	3.13	0.18	2.54	0.41	2.77	0.27	2.63	0.78	3.14	0.38	2.95	0.68	3.04	0.84	3.20
2006	0.45	2.83	0.73	3.11	0.18	2.56	0.38	2.76	0.00	2.38	0.74	3.12	0.35	2.91	0.55	2.93	0.80	3.18
2007	0.44	2.87	0.73	3.16	0.18	2.61	0.10	2.53	0.00	2.43	0.70	3.13	0.32	2.93	0.50	2.93	0.80	3.23
2008	0.43	2.86	0.72	3.15	0.18	2.61	0.10	2.53	0.00	2.43	0.68	3.11	0.30	2.92	0.49	2.92	0.80	3.23
2009	0.42	2.85	0.67	3.10	0.18	2.61	0.10	2.53	0.00	2.43	0.68	3.11	0.30	2.91	0.49	2.92	0.95	3.38
2010	0.42	2.84	0.70	3.13	0.18	2.61	0.10	2.53	0.00	2.43	0.69	3.12	0.30	2.91	0.50	2.92	0.95	3.38
2011	0.41	2.87	0.71	3.17	0.18	2.64	0.10	2.56	0.00	2.46	0.74	3.20	0.31	2.96	0.52	2.98	0.95	3.41
2012	0.41	2.87	0.86	3.32	0.18	2.64	0.10	2.56	0.00	2.46	0.74	3.20	0.32	2.97	0.52	2.98	0.95	3.41

HARRIS COUNTY

Fiscal Year	Harris County WC & ID (Fondren Road)		Southwest Harris County MUD #1		Harris County MUD #122		Missouri City	Houston ISD	Houston Comm. College	(3) Harris County
	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate	MUD Rate	Over-lapping Rate				
2003	\$ 0.83	\$ 3.70	\$ 1.10	\$ 3.97	\$ 1.15	\$ 4.02	\$ 0.49	\$ 1.58	\$ 0.08	\$ 0.65
2004	0.78	3.49	0.68	3.39	1.10	3.81	0.51	1.58	0.08	0.65
2005	0.71	3.09	0.66	3.04	1.06	3.44	0.50	1.60	0.10	0.65
2006	0.68	3.08	0.63	3.03	1.04	3.44	0.50	1.62	0.10	0.65
2007	0.58	2.99	0.61	3.02	1.00	3.41	0.49	1.48	0.10	0.65
2008	0.58	2.99	0.61	3.02	0.90	3.31	0.50	1.16	0.09	0.64
2009	0.54	2.95	0.61	3.02	0.87	3.28	0.52	1.16	0.09	0.64
2010	0.54	2.95	0.71	3.12	0.87	3.28	0.53	1.16	0.09	0.64
2011	0.54	2.95	0.71	3.12	0.87	3.28	0.53	1.16	0.09	0.64
2012	0.54	2.95	0.71	3.12	0.87	3.28	0.53	1.16	0.10	0.64

Note - Property Tax rates based on per \$100 of assessed valuation.

Table 6

Fort Bend MUD #46		Thunderbird MUD		Fort Bend MUD #42		Fort Bend MUD #47		Fort Bend MUD #48		Fort Bend MUD #115		(2) First Colony LID	Mo. City	Fort Bend ISD	Fort Bend County	Houston Comm. College
MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate	MUD Rate	Over- lapping Rate					
1.05	\$ 3.86	\$ 0.22	\$ 3.03	\$ 0.50	\$ 3.31	\$ 1.17	\$ 3.98	\$ 1.00	\$ 3.81	\$ 0.97	\$ 3.78	\$ 0.21	\$ 0.49	\$ 1.68	\$ 0.54	\$ 0.08
1.05	3.70	0.00	2.65	0.48	3.13	1.17	3.82	0.98	3.63	0.97	3.62	0.20	0.51	1.67	0.52	0.08
1.00	3.36	0.00	2.36	0.48	2.84	1.15	3.51	0.98	3.34	0.97	3.33	0.21	0.50	1.71	0.52	0.10
0.95	3.33	0.00	2.38	0.46	2.84	1.15	3.53	0.96	3.34	0.97	3.35	0.19	0.50	1.69	0.52	0.10
0.90	3.33	0.00	2.43	0.44	2.87	1.13	3.56	0.92	3.35	0.65	3.08	0.19	0.49	1.54	0.52	0.10
0.90	3.33	0.00	2.43	0.43	2.86	1.09	3.52	0.89	3.32	0.59	3.02	0.19	0.50	1.25	0.52	0.09
0.90	3.33	0.00	2.43	0.42	2.85	1.04	3.47	0.88	3.31	0.53	2.96	0.19	0.52	1.27	0.50	0.09
0.88	3.31	0.00	2.43	0.42	2.85	1.04	3.47	0.88	3.31	0.50	2.93	0.19	0.53	1.31	0.50	0.09
0.88	3.34	0.00	2.46	0.43	2.89	1.04	3.50	0.88	3.34	0.50	2.96	0.19	0.53	1.34	0.50	0.09
0.88	3.34	0.00	2.46	0.43	2.89	1.04	3.50	0.88	3.34	0.50	2.96	0.19	0.53	1.34	0.50	0.10

Total overlapping tax rate per property is determined by adding county tax rate, school rate, applicable utility district rate, and Missouri City tax rate. Entities created with no tax rates are: Fort Bend County MUD #'s 36, 45, 54, 55, 56, 60 and Colony Bay Levy Improvement District. The overlapping rates include direct and overlapping tax rates.

(2) - Serves only First Colony MUD #9.

(3) - Harris County tax rate includes Harris County, Harris County Flood Control District, Port of Houston Authority, Harris County Department of Education, Harris County Hospital District, and Harris County Toll Road District.

Table 7

City of Missouri City, Texas

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Five Years Ago

Taxpayer	2012			2007		
	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total Taxable Assessed Value
Inland American Missouri City Riverstone Ltd Partnership	\$ 25,957,230	1	0.61 %			
CenterPoint Energy Electric	20,681,310	2	0.49	\$ 23,356,700	1	0.66 %
Centennial Sienna LP	17,982,580	3	0.42			
Colony Lakes Center Ltd	14,322,960	4	0.34	10,043,540	5	0.26
Wal-Mart Real Estate Business Trust	14,302,720	5	0.34	11,499,630	4	0.30
Kroger Texas LP	13,257,080	6	0.31			
Horizon Producing & Operating	12,510,040	7	0.29			
Global Geophysical Services Inc.	12,354,080	8	0.29			
HEB Grocery Company LP	12,032,000	9	0.28			
Target Corporation	11,837,400	10	0.28	11,967,170	2	0.31
Vicksburg Estates Ltd				8,170,640	6	0.21
Wal-Mart Stores Texas LP #2505				7,665,960	7	0.20
Riverstone Retail Partners Ltd.				11,595,040	3	0.30
Brazos Lakes LP				6,897,860	8	0.18
Texas & Kansas City Cable Partners				6,798,647	9	0.18
Lasco Riverstone Retail Partners Ltd				6,761,320	10	0.18
Subtotal	155,237,400		3.65	104,756,507		2.78
Other taxpayers	4,099,971,357		96.35	3,735,015,855		97.22
Total	\$ 4,255,208,757		100.00 %	\$ 3,839,772,362		100.00 %

Source - Tax assessor/collector's records.

Table 8

City of Missouri City, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year	Tax Rate	Total Tax Levy and Adjust.	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	% of Levy		Amount	% of Levy
2003	0.49146	13,553,741	12,992,334	95.86	538,772	13,531,106	99.83
2004	0.51000	15,697,153	14,955,664	95.28	715,078	15,670,742	99.83
2005	0.50165	16,688,681	15,876,776	95.13	775,405	16,652,181	99.78
2006	0.49800	18,036,185	17,125,657	94.95	857,350	17,983,007	99.71
2007	0.49450	18,987,956	18,188,477	95.79	727,065	18,915,542	99.62
2008	0.49926	20,596,110	19,781,831	96.05	722,186	20,504,017	99.55
2009	0.51724	22,835,266	22,076,370	96.68	611,412	22,687,782	99.35
2010	0.52840	23,507,100	22,834,605	97.14	138,627	22,973,232	97.73
2011	0.52840	23,145,280	22,611,412	97.69	-	22,611,412	97.69
2012	0.52840	22,491,150	22,066,951	98.11	-	22,066,951	98.11

Source - Tax assessor/collector's records.

Table 9

City of Missouri City, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year Ended June 30	Governmental Activities					Business-type Activities	Total Primary Government	% of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Increment Contract Revenue Bonds	Tax Notes	Capital Leases	Certificates of Obligation			
2003	\$ 23,330,000	\$ 7,560,000		\$ -	\$ 20,188	\$ 1,215,000	\$ 32,125,188	2.14%	\$ 558
2004	29,725,000	7,935,000		-	-	1,215,000	38,875,000	2.54%	654
2005	27,820,000	6,620,000		-	-	1,175,000	35,615,000	2.27%	585
2006	31,400,000	8,790,000		-	-	1,865,000	42,055,000	2.63%	663
2007	39,185,000	7,693,500	6,540,000	-	-	1,811,500	55,230,000	2.36%	856
2008	42,180,000	9,187,000	6,325,000	-	-	1,758,000	59,450,000	2.49%	894
2009	59,640,000	21,870,108	6,100,000	-	-	3,169,889	90,779,997	3.93%	1,343
2010	66,575,000	23,449,494	5,865,000	-	-	55,770,500	151,659,994	6.48%	2,226
2011	71,425,000	30,602,810	5,620,000	-	-	55,582,189	163,229,999	7.26%	2,376
2012	66,235,000	29,640,486	5,365,000	1,575,000	-	54,124,513	156,939,999	6.47%	2,249

Source - Tax assessor/collector's records.

(1) See the Schedule of Demographic and Economic Statistics (Table 15) for personal income and population data.

Table 10

City of Missouri City, Texas

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	% of Estimated Actual Taxable Value of Property	Per Capita
2003	\$ 23,330,000	\$ 1,356,944	\$ 21,973,056	0.80%	381
2004	29,725,000	2,002,045	27,722,955	0.91%	466
2005	27,820,000	1,895,423	25,924,577	0.78%	426
2006	31,400,000	1,912,298	29,487,702	0.81%	465
2007	39,185,000	2,566,460	36,618,540	0.95%	567
2008	42,180,000	3,630,482	38,549,518	0.93%	579
2009	59,640,000	3,577,337	56,062,663	1.27%	829
2010	66,575,000	4,908,681	61,666,319	1.38%	905
2011	71,425,000	6,286,811	65,138,189	1.49%	948
2012	66,235,000	6,704,909	59,530,091	1.40%	853

Table 11

City of Missouri City, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

June 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ⁽¹⁾	City of Missouri City Share of Debt
Blue Ridge West MUD	\$ None	100.00 %	\$ 0
First Colony Levee Improvement District	140,000	49.37	69,118
First Colony MUD No. 9	17,615,000	100.00	17,615,000
Fort Bend County	477,225,000	8.30	39,609,675
Fort Bend County MUD No. 26	14,485,000	100.00	14,485,000
Fort Bend County MUD No. 42	9,495,000	97.35	9,243,383
Fort Bend County MUD No. 45	None	100.00	0
Fort Bend County MUD No. 46	18,655,000	100.00	18,655,000
Fort Bend County MUD No. 47	4,475,000	100.00	4,475,000
Fort Bend County MUD No. 48	8,455,000	100.00	8,455,000
Fort Bend County MUD No. 49	2,580,000	100.00	2,580,000
Fort Bend County MUD No. 54	None	100.00	0
Fort Bend County MUD No. 56	None	100.00	0
Fort Bend County MUD No. 60	None	100.00	0
Fort Bend County MUD No. 115	13,745,000	100.00	13,745,000
Fort Bend County WCID No. 2	59,595,000	8.56	5,101,332
Fort Bend Independent School District	927,294,426	16.27	150,870,803
Harris County	2,410,101,628	0.06	1,446,061
Harris County Department of Education	7,795,000	0.06	4,677
Harris County Flood Control District	100,020,000	0.06	60,012
Harris County MUD No. 122	2,545,000	100.00	2,545,000
Harris County Toll Road	0 ⁽²⁾	0.06	0
Harris County WCID (Fondren Road)	2,790,000	100.00	2,790,000
Houston Community College System	174,625,000	3.39	5,919,788
Houston Independent School District	2,232,483,577	0.15	3,348,725
Meadowcreek MUD	None	100.00	0
Palmer Plantation MUD #1	5,465,000	100.00	5,465,000
Palmer Plantation MUD #2	8,650,000	100.00	8,650,000
Port of Houston Authority	745,874,397	0.06	447,525
Quail Valley Utility District	None	100.00	0
Sienna Plantation Levee Imp. District	84,955,000	6.35	5,394,643
Sienna Plantation Management District	17,150,000	100.00	17,150,000
Sienna Plantation MUD #10 ⁽³⁾	38,525,000	0.22	84,755
Sienna Plantation MUD #12	9,905,000	24.55	2,431,678
Southwest Harris County MUD #1	2,300,000	100.00	2,300,000
Thunderbird Utility District	None	100.00	0
Total Overlapping Debt			342,942,173
City of Missouri City			102,815,486
Total Direct and Overlapping Debt			\$ 445,757,659
Population			69,774
Per Capita Debt-Direct and Overlapping			\$ 6,389

Source: First Southwest Company and Texas Municipal Advisory Council.

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City's boundaries and dividing it by the overlapping government's total taxable assessed value.

(2) Harris County Toll Road debt is supported by toll revenue. No tax is levied to pay debt service.

(3) Includes Series 2011 Bonds scheduled to close July 1, 2011.

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City of Missouri City, Texas

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$ 69,050,285	\$ 76,531,120	\$ 82,919,572	\$ 90,542,692	\$ 95,994,309
Total net debt applicable to limit	<u>21,973,056</u>	<u>27,722,955</u>	<u>25,924,577</u>	<u>29,487,702</u>	<u>36,618,540</u>
Legal debt margin	<u>\$ 47,077,229</u>	<u>\$ 48,808,165</u>	<u>\$ 56,994,995</u>	<u>\$ 61,054,990</u>	<u>\$ 59,375,769</u>
Total net debt applicable to the limit as a percentage of debt limit	46.67%	56.80%	45.49%	48.30%	61.67%
Legal Debt Margin Calculation by Fiscal Year					
Assessed value	2,762,011,388	3,061,244,819	3,316,782,886	3,621,707,698	3,839,772,362
Debt limit (2.5% of assessed value)	69,050,285	76,531,120	82,919,572	90,542,692	95,994,309
Debt applicable to limit:					
General obligation bonds	23,330,000	29,725,000	27,820,000	31,400,000	39,185,000
Less: amount set aside for repayment of general obligation debt	<u>(1,356,944)</u>	<u>(2,002,045)</u>	<u>(1,895,423)</u>	<u>(1,912,298)</u>	<u>(2,566,460)</u>
Total net debt applicable to limit	<u>21,973,056</u>	<u>27,722,955</u>	<u>25,924,577</u>	<u>29,487,702</u>	<u>36,618,540</u>
Legal debt margin	<u>\$ 47,077,229</u>	<u>\$ 48,808,165</u>	<u>\$ 56,994,995</u>	<u>\$ 61,054,990</u>	<u>\$ 59,375,769</u>

Note: The City has no general obligation legal debt limit other than a ceiling on the tax rate as specified by the State of Texas.
The prescribed maximum is \$2.50 per \$100 of the appraised value.

Table 12

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 103,080,546	\$ 110,359,772	\$ 111,329,742	\$ 109,486,912	\$ 106,380,313
<u>38,549,518</u>	<u>56,062,663</u>	<u>61,666,319</u>	<u>65,138,189</u>	<u>59,530,091</u>
<u>\$ 64,531,028</u>	<u>\$ 54,297,109</u>	<u>\$ 49,663,423</u>	<u>\$ 44,348,723</u>	<u>\$ 46,850,222</u>
59.74%	103.25%	124.17%	146.88%	
4,123,221,842	4,414,390,876	4,453,189,675	4,379,476,474	4,255,212,507
103,080,546	110,359,772	111,329,742	109,486,912	106,380,313
42,180,000	59,640,000	66,575,000	71,425,000	66,235,000
<u>(3,630,482)</u>	<u>(3,577,337)</u>	<u>(4,908,681)</u>	<u>(6,286,811)</u>	<u>(6,704,909)</u>
<u>38,549,518</u>	<u>56,062,663</u>	<u>61,666,319</u>	<u>65,138,189</u>	<u>59,530,091</u>
<u>\$ 64,531,028</u>	<u>\$ 54,297,109</u>	<u>\$ 49,663,423</u>	<u>\$ 44,348,723</u>	<u>\$ 46,850,222</u>

Table 13

City of Missouri City, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year Ended June 30	Population	Personal Income (4)(5)	Per Capita Personal Income (1)	Median Age (1)	School Enrollment (2)	Unemployment Rate (3)
2003	57,622	\$ 1,498,000,000	\$ 25,997	36	59,374	6.9%
2004	59,478	1,528,000,000	25,690	37	61,665	5.8%
2005	60,845	1,568,000,000	25,770	35	62,953	4.8%
2006	63,400	1,600,000,000	25,237	35	65,996	4.8%
2007	64,558	2,339,600,000	36,240	36	67,209	4.4%
2008	66,525	2,391,920,100	35,955	36	67,631	4.5%
2009	67,600	2,307,818,000	34,139	36	68,707	7.0%
2010	68,125	2,339,812,000	34,346	36	69,030	8.5%
2011	68,691	2,247,019,992	32,712	36	68,805	7.6%
2012	69,774	2,426,251,302	34,773	38	69,343	6.7%

n/a - information not available.

Data sources:

- (1) Fort Bend Economic Development Council Quick Stats and Facts.
- (2) Fort Bend Independent School District.
- (3) Texas Workforce Commission, for Fort Bend County Labor Force.
- (4) Personal income and median age data prior to 2002 are not available.
- (5) Personal income information is a total for the year.

Table 14

City of Missouri City, Texas

PRINCIPAL EMPLOYERS

Current Year and Ten Years Ago

Employer	2012			2002		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Fort Bend ISD	947	1	1.96 %	720	1	2.23 %
Wal-Mart Texas Stores, LP	600	2	1.24	355	2	1.10
City of Missouri City	318	3	0.66	238	4	0.74
Global Geophysical Services	220	4	0.46			
HEB	200	5	0.41	218	5	0.68
Super Target	180	6	0.37	146	7	0.45
Home Depot	152	7	0.32	100	9	0.31
Emerson Process Management Valve Actuation (formerly EIM Company)	146	8	0.30	100	9	0.31
Kroger Stores (2 stores in 2002, 1 store 2007 & forward)	126	9	0.26	200	6	0.62
Lowe's	126	9	0.26			
Memorial Hermann - Fort Bend				328	3	1.02
Quail Valley Country Club				120	8	0.37
Total	3,015		6.25 %	2,525		7.82 %

Source - Missouri City Economic Development.

City of Missouri City, Texas

FULL-TIME EQUIVALENT CITY GOVERNMENTAL EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of June 30				
	2003	2004	2005	2006	2007
General government	25	26	28	40	45
Finance	17	17	17	15	15
Public safety					
Police					
Officers	61	63	66	77	78
Civilians	22	22	22	26	27
Fire					
Firefighters	56	56	56	57	63
Civilians	1	1	1	1	1
Public works					
Streets and sanitation	18	18	18	18	18
Administration and maintenance	15	15	15	17	17
Parks and recreation	21	21	21	20	20
Development Services	21	23	23	23	24
Total	<u>257</u>	<u>262</u>	<u>267</u>	<u>294</u>	<u>308</u>

Source - City personnel records.

Table 15

Full-time Equivalent Employees as of June 30				
<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
42	43	44	41	40
15	16	16	16	16
78	78	78	86	94
25	30	30	27	27
63	64	64	64	64
1	1	1	1	1
15	15	15	13	13
23	23	23	20	25
21	21	21	21	15
28	28	28	22	23
<u>311</u>	<u>319</u>	<u>320</u>	<u>311</u>	<u>318</u>

City of Missouri City, Texas

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

	2003	2004	2005	2006	2007
Function					
Police					
Number of stations	1	1	1	1	1
Arrests	1,566	1,190	1,434	1,219	1,491
Accidents investigated	916	990	873	1,147	1,279
Citations	8,963	7,664	9,985	9,309	11,464
Alarm response calls	7,076	8,034	7,506	6,215	5,949
Calls for service	27,415	29,890	28,055	27,884	27,515
Fire					
Number of stations	4	4	4	4	4
Emergency responses	2,657	2,950	3,046	3,403	3,491
Fire incidents	227	178	205	293	185
EMS First Responder incidents	1,742	1,914	2,092	2,358	2,761
Average response time	5.76 min	5.78 min	5.80 min	5.93 min	6.11 min
Public Works					
Lane miles of streets maintained	513.00	522.00	539.00	547.00	552.00
Flexible pavement repairs	45	100	131	62	60
Rigid pavement repairs	102	48	40	119	486
Wastewater Treatment (million gallons)	322	343	343	374	403
Fleet Operations					
Vehicles maintained	87	91	98	108	121
Equipment maintained	299	316	303	302	355
Vehicle preventive maintenance	381	553	1,227	661	859
Vehicle repairs	2,103	2,650	1,591	1,710	2,463
Parks and recreation					
Number of parks	29	31	31	31	31
Acres	695	697	697	697	697
Park pavillion reservations	210	587	616	304	273
Athletic field reservations	231	239	393	469	1,283
Community center reservations	235	446	257	246	503
Planning					
Permits issued	6,021	5,655	5,112	4,010	4,840
Inspections performed	22,486	23,135	22,935	14,494	12,254
Commercial plans reviewed	88	85	89	90	128
Residential plans reviewed	1,030	818	711	442	345

Source - Various City departments.

Table 16

2008	2009	2010	2011	2012
1	1	1	1	2
1,517	1,456	1,690	2,019	1,794
967	917	1,338	910	778
13,642	16,677	12,145	13,637	12,591
5,885	6,191	5,814	5,901	5,273
27,295	27,249	26,635	26,841	26,133
4	4	4	4	4
5,045	5,873	5,244	4,696	4,620
246	224	199	258	216
3,354	3,066	2,845	2,485	2,607
6.19 min	6:33 min	6:47 min	6:29 min	6:04 min
562.10	556.00	605.00	636.50	640.50
40	82	40	5	11
75	28	50	75	51
435	433	460	530	762
130	134	145	142	144
239	285	287	295	336
958	878	950	1,006	733
1,928	2,403	2,200	2,470	2,751
33	33	33	35	35
910	910	1,021	1,095	1,095
370	404	659	965	1,013
2,213	5,872	3,714	1,453	2,197
552	1,299	393	1,110	289
4,395	3,880	2,681	3,263	3,256
11,006	10,823	11,712	12,816	11,991
161	125	87	167	288
439	227	248	182	302

City of Missouri City, Texas

CAPITAL ASSETS STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	2003	2004	2005	2006	2007
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	32	33	33	38	42
Fire					
Stations	4	4	4	4	4
Public works					
Streets (miles)	513	522	539	547	552
Parks and recreation					
Parks acreage	695	697	697	697	697
Parks	29	31	31	31	31
Water and sewer					
Water mains (miles) *	n/a	n/a	n/a	11	12
Fire hydrants *, **	n/a	n/a	n/a	105	139
Maximum water storage capacity (millions of gallons)	n/a	n/a	n/a	n/a	n/a
Sanitary sewers (miles) *, ***	n/a	n/a	n/a	13	15
Storm sewers (miles) *, ***	n/a	n/a	n/a	41	43
Maximum daily sewer treatment capacity (millions of gallons)	1.500	1.500	1.500	1.500	1.500

n/a - information not available.

* Due to the nature of the City being serviced by various Municipal Utility districts who provide these services directly to our citizens, the City owns very few water mains, fire hydrants, sanitary sewers or storm sewers at this time.

** Fire hydrant calculation refined due to a GPS mapping project during 2010.

*** Due to duplicate counting of sanitary & storm sewer miles, a data base refinement by our GIS Department took place during 2011.

Source - Various City departments.

Note - No capital asset indicators are available for the general government function.

Table 17

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1	1	1	1	2
36	42	42	43	46
4	4	4	4	4
562	556	636	636	641
910	910	1,021	1,095	1,095
33	33	33	35	35
17	17	35	35	45
209	209	370 **	370 **	417
n/a	0.550	0.550	0.550	2.826
15	15	33	22	26
45	45	45	23	30
1.500	1.500	1.500	3.950	3.950

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